Member Audit Bureau of Circulations

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C. G. Wyckoff, President and Treasurer. E. D. King, V.-Pres. and Managing Editor. Victor E. Graham, V.-Pres. and Advertising Manager. The information herein is obtained from reliable sources, and, while not guaranteed, we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 35 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second class matter January 30, 1915, at P. O., New York, N. Y., Act of March 3, 1879. Published every other Saturday.

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WITH THE EDITORS

Spread the Gospel of Financial Independence

THE next number is the Christmas issue, which has been planned not only in the spirit of that happy holiday season but contains for your benefit a number of the most interesting security opportunities of the day. We take special pleasure in calling your attention to: SEVENTY-FIVE GENUINE BARGAINS IN SECURITIES. This list is being arranged with the greatest care. We believe you will find it one of the most interesting and valuable sets of investment recommendations ever published.

THIS year has seen another big step forward in the democratic ownership of industry in this country. To the millions of investors who have held securities prior to this year, hundreds of thousands of new ones have been added. Confidence in our financial institutions has made marked gains and the public now readily appreciates the value of securities as a dependable and efficient aid to the realization of their life's dream—Financial Independence.

Conscious of the intricacy, however, of the immense field of securities and fully cognizant by now of the difficulties faced by the layman in the proper selection of investments, the public has rapidly come to understand the value of the skilled, technical advisor. Showing more and more of a disposition to enlist the services of such advisors, its education is proceeding to a point where it is making far fewer mistakes in selecting securities than has ever been the case in history. Our slogan that Tips, Hunches and Propaganda will never help the investor but that instead he must depend on sound financial advice based on accurate knowledge of business and security fundamentals is rapidly taking hold throughout the country. And this is one of the main reasons, for example, why promoters of fake securities are finding it more difficult to dispose of their wares. It takes time for the education of investors to take hold but once it does, it is implanted for good for the betterment of the entire community.

There are now over two hundred thousand readers of THE MAGAZINE OF WALL STREET and the number is growing from year to year. The steady addition to our family has enabled us to increase our facilities for their benefit. We have on our editorial staff many recognized investment and business experts and the number is being added to from time to time. Every new subscriber means a new opportunity for us to expand our service for the benefit of all our subscribers and readers. Larger and larger sums are being utilized for improvements in our investment research and, as a result, our scope has been greatly widened during the last year. Our plans call for tremendous extension of our investment research facilities and we naturally desire to have benefits of these improvements available to the largest possible number of readers.

We therefore take the liberty of frankly requesting the valued assistance of our friends in presenting the merits of this publication to those of their acquaintances who may not be familiar with it. Hundreds of thousands of investors would appreciate knowing that there was available to them at very low cost a publication dedicated to their prosperity.

We ask you therefore to tell your friends and acquaintances about our work. Tell them about the immense scope of the investment information we publish in each issue. Tell them about our numerous departments in which we cover every known type of investment. Tell them of our record of accuracy in regard to recommending securities for income and profit. Tell them about our interesting educational features and our special articles, written by the greatest experts in the world.

Finally, tell them THE MAGAZINE OF WALL STREET is written interestingly and that its pages are eminently readable and that, in the last analysis, it is a representative American publication, spirited and progressive, not afraid to tell the truth and not under the influence of a single financial organization or institution but rather that it is entirely independent in its policies.

We trust that you will not consider it improper of us to make such a request of you. For those who are ready and willing to cooperate with us, there is a special announcement on page 287 which undoubtedly will prove of keen interest to the friends of this publication.

The MAGAZINE of WALL STREET

C. G. WYCKOFF
PUBLISHER

E. D. KING
MANAGING EDITOR

INVESTMENT & BUSINESS TREND

Prospects for Business in First Quarter of 1927—Higher Prices for Liberties?—What London Thinks of American Stocks—Economies and Business Profits—Market Prospect

THE present business situation is curiously spotted. On the whole, manufacturing output is somewhat lower but retail trade is very active. Wholesale trade has been suffering some shrinkage. Bank clearings are lower than last year this time. Exports are increasing. Commodity prices are considerably lower than a year ago but are now more stable than they have been for the past few months. Investment demand for sound securities continues unabated but the edge seems off speculation in the stock market for the time being. Employment continues high at good wages. Railroad freight is moving in large quantities. On the other hand, building, automobile and steel output is somewhat less than has recently been the case. The South is commencing to feel the effects of low cotton prices but cotton mills are becoming more active. Conditions in the great wheat states are practically unchanged with conditions about fair.

Thus business gives two curiously diverse aspects: it is both satisfactory and unsatisfactory at the same time. From the viewpoint of activity, it still compares well with last year. From the viewpoint of profits, however, it is not likely, except among the very large and powerful corporations, that the profit showing for the year will quite equal that of last year.

On the whole, 1926 may well prove to have been a year of gradual change in business conditions, heralding a reaction from the great prosperity of 1925. In 1927, it seems that competition will become even more acute than at present, that profit margins will narrow somewhat, and that, on the whole, the going will not be as good as in 1926. First quarter indications for 1927 are that the same irregular conditions which have started to prevail during the present quarter will continue. Changes are not likely to be marked and there will probably even be some improvement as in the case of textiles, railway equipment, sugar and copper. Yet the recessive movement which has already started in a mild way should continue during the next two or three months. Drastic changes at this writing seem entirely unlikely but it will certainly require greater energy and resourcefulness than ever on the part of business men to keep their profits on an even keel.

LIBERTY BONDS

GOVERNMENT war issues have been strongly bought recently at slightly advancing prices. At current levels, Liberties are yielding about $3\frac{3}{4}\%$. In about a year, preparation will have to be made to refund the third Liberty $4\frac{1}{4}$s. The latter are now selling at 101 to yield about 3.68%. This will be the first great refunding operation for the Government in recent years and its approach is awaited with intense interest. As money conditions stand now, the Government could undoubtedly refund with utmost ease at $3\frac{1}{2}\%$. The actual figure will depend, of course, on the state of the money market and its outlook at the time of refunding. From present indications, a cheap money market is in prospect during the greater part of next year. If the business recession should proceed to a point further

than expected, money rates would decline to probably the lowest levels since the war. On such a basis, the Government could refund at 3¼ and possibly, 3%. Any marked difference in the rate, however, whether it is 3¼ or 3%, would have a tremendous effect on outstanding Liberties whose yield, of course, would swing into conformity with the new refunding issue. This would mean an advance of perhaps from three to five points. Sooner or later, Liberties are likely to sell on a 3.00-3.25% yield basis. Those who are holding them for long-range investment should continue to do so. They may also be made the basis for new commitments at this time.

LONDON'S VIEW INTIMATIONS are received from reliable sources that London is sceptical of the present high average price of American securities and that it does not intend to buy heavily until there is a fall in prices. England, as will be remembered, disposed of a good part of her American security holdings at the outbreak of the war and has not yet bought any appreciable part of them back. With the continued strength, however, of English finances and the slowly improving position of their financial institutions and private investors, American securities most likely will find a broadening market across the sea. At the same time, the reluctance of English investors to enter our market at this time may be taken as a clear indication that they expect prices will be lower. The English investor is generally a hard-headed individual and his opinion in this case must be accorded some importance.

ECONOMIES AND BUSINESS SUFFICIENT recognition has not yet been accorded the very marked progress made by American industry in getting its expenses down. In fact, its ability to do so, passing on the saving to the consumer and thereby enlarging the demand, has undoubtedly been a prime reason for our prosperity. With prices at rather unattractive levels, it becomes a paramount matter to get expenses down to a point where an adequate margin of profit may be secured. The spread between cost and gross return is so small in so many industries these days that an extra saving of only one-half per cent in a given item of cost is given serious attention by even the leading executives. "Get expenses down" is a current slogan in American business. As competition becomes acute, this slogan will be accepted by an increasing number of business executives. From the purely security viewpoint, investors might well investigate the affairs of their companies with a view to determining what progress they are making in cutting costs and eliminating waste. Where progress is being made in this direction, there is greater assurance than would otherwise be the case with regard to maintenance of satisfactory dividend levels.

BONDS THE average price of bonds is now at its highest level since 1917. Investors are hungry for sound issues and are scouring the field pretty completely. With high-grade bonds yielding relatively small percentages, interest has awakened in the medium grade issues, many of which have been selling out of line. Strength in convertibles also is a reflection of the desire among investors to limit their risk, even when speculating. In other words, increasing interest among the public in bonds is both a result of their growing appreciation of the possibilities in this field and, also, their somewhat less enthusiastic attitude toward common stocks. The bond market is still in an attractive position and the attention of our readers is again called to the undeniable opportunities among practically all classes of issues, except those of a purely speculative character.

MARKET PROSPECT AIDED chiefly by cheap money, the market has recovered sufficient equilibrium to permit renewed pool operations. Advances are curiously assorted, comprising such miscellaneous groups as high-priced speculative issues, sugars, shipping, N. Y. tractions and railway equipments. A good deal of the buying seems to come from a beleaguered short interest, especially in the high-priced stocks. The public, as has recently been its custom, continues on the sidelines undoubtedly waiting for further confirmation of a generally advancing market tendency before participating heavily. Interest in market doings, however, has by now proceeded to a point which could easily attract public speculation. For the present, the outlook favors renewed activity at rising prices, but the market is risky to follow. For investors the only sane policy is one of the nicest discrimination in the purchase of securities.

Monday, November 29, 1926.

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Will Congress Tinker with National Prosperity?

How the Next Session of Congress Is Likely to Shape Up—Chances for a Tax Cut—How About the "Filibuster"?

By THEODORE M. KNAPPEN

With Two Exclusive Statements by

REP. MARTIN B. MADDEN
Chairman, House Appropriations Committee

REP. JOHN N. GARNER
Member, House Ways and Means Committee

CONGRESS is a good deal like the famous native of Arkansas encountered by the lyrical Arkansas traveler—he who could not repair his roof when it rained and found no reason for doing so when the sun shone. In the long session Congress has so much time that it squanders it and finally fails to act for lack of time; in the short session it has so little time that it saves it effectively by doing nothing.

Now comes the short session—the accepted session for doing little more than is necessary to keep the great machine of the federal government going, and its 600,000 civil employes and 200,000 soldiers and sailors on the job.

This time the time alibi is backed by a general desire to do little. The Republican majority wants to start nothing that may lead to an extraordinary session of the 70th Congress, with the insurgents in the saddle in the Senate and the Republican regular majority reduced in the House. The Democrats do not want the Republicans to gather any credit from this session that may contribute to the financing of political debts in 1928; and the insurgents would like to see Congress completely motionless, so that an extra session would be necessary.

As the regular Republicans are at the helm in this lame-duck session they will consider every piece of business that may come before Congress in the light of its relation to cluttering up the program. A cleaning toboggan chute to a clean up of indispensably necessary business by March 1 is the great desideratum with Congress leaders. Anything that looks like ashes on the slide will be avoided, even if a new slide has to be erected.

The Tax Cut

This applies to the one big surprise the preface to the session produced—President Coolidge's proposal that \$250,000,000—or \$300,000,000—of the accumulating treasury surplus be handed back in the form of a cash rebate; or (as amended by the treasury) in a credit against 1926 income taxes, during the first half of 1927. At first blush this was considered good politics and good business, but on second thought members of Congress begin to think it is neither.

On examination the Republican leaders find that it is ashes on a surface that must be kept slippery. That's the politics of it. The business of it is that the business world is demanding taxation justice, not a gratuity. The proposal is ashes on the slide because it has upset the sacred program of deferring taxation revision, great or little, until 1928. Now that the President has advertised to the world that the treasury is taking about \$300,000,000 more out of the productive capital of the country than it need to, the response of business has been an emphatic demand for immediate reduction of taxation, mostly concentrated on the corporation income rate.

To make matters worse from the standpoint of a smooth slide to the end of Congress, the President has admitted that it was a mistake to raise the corporation rate from 12½% to 13½% at the last session; and has even pointed out that about 20,000,000 persons would be directly benefited by a reduction of the corporation rate. There is even a trace of a suspicion that the President would be quite satisfied if Congress should turn his refund idea into tax reduction. He had the idea that refunding would not be re-

vising. But all the arguments for refunding weaken the case against revising. So there is sure to be a big drive for a limited revision of the revenue law at this session. Already forty great national trade associations have voted to petition the Ways and Means Committee for a hearing looking to the reduction of the corporation tax. Moreover, many of the Republican wheel-horses are doubtful about the equity of a flat-rate refund—and are besides more or less miffed that the President didn't consult them before taking the whole country into his confidence. Even the treasury people are believed to be a bit sensitive about the way the President announced his plan and consulted them afterwards.

So, it may come around that the Ways and Means Committee will not report a refund bill and that there will be neither temporary nor permanent taxation relief at this session—if the elder statesmen can have their way.

A unique aspect of this tax topic is that the Democrats now appear in the role of champions of the oppressed corporations. They are actually arguing with heat that the corporations are grievously overtaxed and that the most equitable way to revise taxation is to lighten the burden on them; and are maneuvering the erstwhile political friends of the corporations into the position of opposing relief for them. *The Democrats have this element of strength in their position, too: that if the corporations don't get relief from this Congress it may be a long time before they get any relief, with the next Congress in the grip of the corporation-hating-and-baiting insurgents.*

While either a fat refund or a big slash—the corporation would like to see the rate cut to 10%—would be a snappy cocktail for business, it can get along well without either.

Farm Relief?

The insurgents, however, enter the scene in any event with a large can of adhesive ashes. They demand farm relief at this session—their brand. The administration is willing to let them have it—its brand. They are making ominous threats of filibusters in the Senate that will find Congress dissolved and some of the supply bills unpassed, unless their brand is enacted. An extraordinary session immediately after March 4 would thus be forced, and the country after three months of suspense would have some additional weeks of more acute suspense while the filibuster was fought out to a finish or a compromise.

Now, while Mr. Madden and other wise ones say there isn't time for farm relief at this session, it may turn out that there won't be any time for anything else, except secondarily. The enormous cotton surplus this year is tending to make the hitherto conservative southern farmers view with favor some political method of dealing with agricultural surpluses of the exportable sort. This adds to the complexities of controlling congressional politics. At which critical juncture comes Senator Borah as a sort of intermediary for the insurgents and hints that all the insurgents ought to be taken back into good Republican standing, committee assignments and all. It may well be that the Old Guard and the senatorial bolshevists will yet sleep together under some sort of pseudo farm relief legislation; the former dreaming no more of the horrors of an extra session, with the insurgents irretrievably committed to the warpath.

The McFadden Bill

Aside from these major matters the short session may be quite uneventful for business, except for the McFadden Banking Bill. The banking world is beginning to have nerves over the approach of the statutory end of the Federal Reserve Banks in 1934 without a new charter act. Among many provisions of the McFadden bill, one extends the life of the reserve banks for another fifty years. This bill was passed by the House and the Senate at the last session, but adjournment came with it deadlocked in conference between the two bodies on one phase of branch banking. There is just about as much nervousness over what may happen to the Federal Reserve System if the National Banks are not soon allowed to compete with state banks in branch banking and in other respects. Big national banks are giving up their federal charters to take state charters and it is not impossible that the reserve banks may be owned by banks that are not under national supervision and that may pull out of the federal reserve system whenever they feel like it. Should Congress fail to enact the McFadden bill at this session it will leave the banking world mildly apprehensive of trouble ahead, to say the least.

Muscle Shoals

It seems to be agreed on all sides that the Ways and Means Committee of the House will draft a bill in its sessions that began on November 15 that will be acceptable to Congress and will finally dispose of the vexed question of alien property that has been sequestrated since the war. While this is not a factor of general import, it is one of the deepest significance to the thousands of people who are interested in the $500,000,000 of alien wealth that has been withheld from private use ever since the war.

Another hoary issue that will probably be disposed of at this session is that of the Muscle Shoals power. Muscle Shoals is all scrambled up with farm relief legislation, and most anything may happen to it, but the outlook is that some sort of a lease for private operation will be agreed upon. The farmers don't appear to like either of the leases reported by the Deneen joint committee, and the majority report in favor of the power companies' lease was not brought to a vote at last session.

Reaction Against Internationalism

Tariff reform will be prominent in the oratorical phase but will not, of course, get any further in a Republican Congress. There will be no railroad consolidation legislation, and nothing final will be done about giving the President authority to act in the emergency of another national coal mining strike. The French debt agreement will be ratified if the French parliament acts favorably. There is no gain in ally-debt cancellation sentiment; probably the current sets the other way.

Sentiment is said to be growing in Congress in favor of cutting the Philippines loose or so nearly loose that their affairs will no longer be an irritant to Washington, but no action will be taken now.

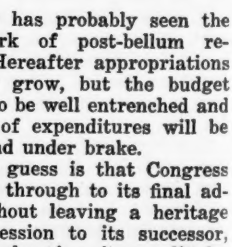
The World Court proposal does not much affect business, but the reaction against internationalism is swinging so far, that many who supported it in the Senate last winter are hoping that the American reservations will not be accepted, thereby nullifying the Senate's adhesion.

Will the Unexpected Happen?

The budget will be bigger this year than last. It will not be big enough to satisfy the easy spenders but it will not be seriously impaired by Congress, though the chances are that the hangover rivers and harbors bill authorizing an extension of the program will be passed.

The country has probably seen the low-water mark of post-bellum retrenchment. Hereafter appropriations will gradually grow, but the budget system seems to be well entrenched and the expansion of expenditures will be co-ordinated and under brake.

The writer's guess is that Congress will be steered through to its final adjournment without leaving a heritage of an extra session to its successor, and without enhancing its credit by illustrious legislation, but on the cautious theory that the unexepected always happens would warn his readers that the unexpected in this instance may not be so very unexpected.

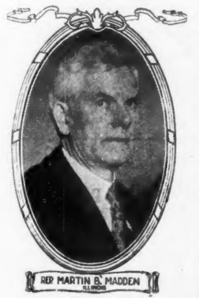


How Two Opposing Leaders View the Legislative Prospect

Nothing in Sight to Worry Business

By Representative MARTIN B. MADDEN, of Illinois

Chairman House of Representatives Appropriations Committee



THERE is nothing sensational in the prospect for the short session of the Sixty-ninth Congress. I do not expect that Congress will enact any legislation that will profoundly affect business, nor will any omission on its part operate to the same end.

The most novel possibility is action on the President's interesting proposal that some of the treasury surplus be returned to the taxpayers, whether by way of cash rebate or credit. However, this is not a formal official proposal as yet. The President may make it such in his annual message to Congress. At this moment—before Congress has met—the prospects for the adoption of the President's suggestion are clouded by other proposals as to the manner of distribution of the refunded amount and for reduction of the corporation income taxation rate. I favor such a reduction but do not consider it feasible at the approaching short session. Once the taxation question is opened we inevitably will be confronted by a general revision. That tedious task is manifestly impossible in the few weeks at our command; and not desirable pending a general examination of federal taxation which has been entrusted to a joint committee.

The big business before this session is the passage of the regular appropriation bills. If they are passed there will be no extra session of Congress and such a session is to be avoided by all means. The House Appropriation Committee will have the post-office and treasury bills, the two largest of the supply measures, ready when the House meets; and those for the Navy, Agriculture and Interior will soon follow. All will be ready by Christmas, and the House should pass them by January 20.

The Plan

Pending business which should be disposed of at this session includes the disposition of alien property seized during the war and of claims of American citizens against the German government. The Ways and Means Committee is holding hearings on these matters and expects to have a bill ready when Congress meets. The Muscle Shoals power question should be settled at this session. The Senate must act on the Rivers and Harbors appropriation authorization passed by the House, and the McFadden banking bill now in conference will probably be passed.

There are other pending matters that will be acted upon, but these are the most important from a business standpoint. The general rule of legislation will be to pass the appropriation bills, act on unfinished business and leave everything else to the long session of the next Congress.

(Please turn to page 282)

Probably a Harmless Session in Store

By Representative JOHN N. GARNER, of Texas

Ranking Democratic Member of the Taxation Committee (Ways and Means) of the House of Representatives

IF I had my way the short session of Congress would be one that the business community would long remember gratefully.

The Democrats in Congress are practically unanimous—and many Republicans agree with us—that the corporation income taxation rate should be reduced at once. What business needs is an assured and permanent reduction of taxes, not just a little sop of a refund, which will not benefit at all those who are exempt from income taxation and that amounts to a large degree of taking from one group of taxpayers to give to another. Whatever surplus there may be at the end of the current fiscal year—and I would not be surprised if it were $500,000,000—ought to be applied to the reduction of the national debt, which will automatically be the case if Congress does not direct otherwise.

Cutting Corporation Tax

Then take steps to prevent the future piling up of such an unwarranted surplus by cutting off its source. The corporation tax ought to be reduced by at least 2½%. This would be real relief; it would benefit the entire population of the country. Industrial production has now become largely a function of business organizations in the corporate form. That means that taxation as one of the costs of production is passed on to the consumer. I estimate that 70 or 80% of the $250,000,000 revenue reduction that would result from reducing the corporation rate by 2½ points would be passed on to the consumers, the corporations keeping the rest. Moreover, as there are about four turnovers of a product before it reaches the ultimate consumer, I figure roughly that this reduction would mean a saving of $600,000,000—a handsome saving that would be shared by everybody; besides the benefit that would come to the corporations, especially the small ones, from additions to their working capital or increased dividends to their millions of shareholders.

There is no valid reason why Congress cannot give this great relief to direct and indirect taxpayers at this session of Congress. If it does, it will be a great short session to remember. If Congress does not confer this business boon it will be a colorless session from the standpoint of the business world. I mean that while nothing important may be achieved nothing harmful will be done either by omission or commission. The administration is so intent on avoiding an extra session of Congress that it will be content not to press the tax refund idea if it threatens dilatory controversy. Avoidance of an extra session of the next Congress, with the Senate in the grip of

(Please turn to page 282)

An Important Metamorphosis in the Stock Market

New Set of Conditions Producing a Novel Type of Market—Group Action Predominating—Outlook for Seven Leading Groups

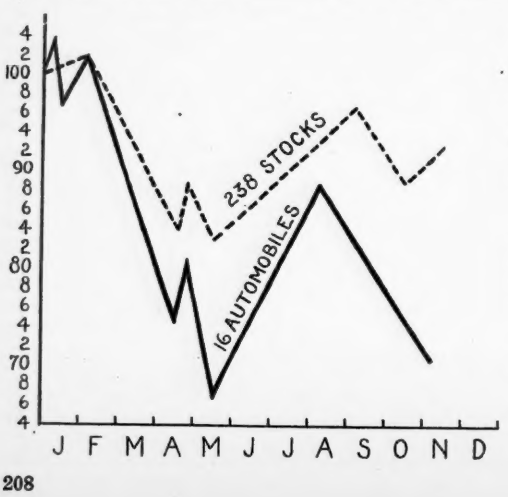
By JOHN DURAND

THE graphs reproduced on page 120 of our last issue offer striking evidence of an important metamorphosis that has taken place in the stock market since the war. Price movements of the Combined Average, though still barometric of coming changes in the aggregate profits of American industry, are no longer of much service to either the investor or trader in deciding what stocks to buy, or when to sell. Traders of the old school could count upon all stocks rising and falling together in close synchronism. But today conditions have so changed that we may have a bull market raging in one or more industrial groups contemporaneous with a severe bear market in unrelated groups; and issues even in the same group frequently traverse widely divergent price paths, in close agreement with their individual prospects.

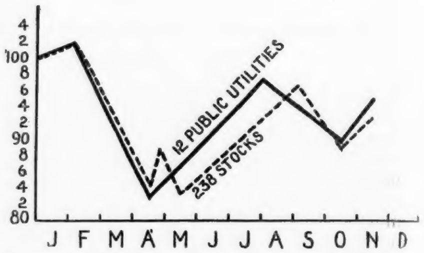
At least two important influences have combined in bestowing upon the security market of today its highly individualistic character. The enormous growth in the number and variety of corporate issues has made it much more difficult to influence the market as a whole by manipulative tactics in a few stocks. Moreover, the great increase in the potential supply of credit, rendered available through the Federal Reserve System and still further augmented by our past huge imports of gold, has not only freed the stock market to a large extent from the domination of an inelastic currency; but has made it possible for corporations, and even whole industries, to expand operations without exhausting the general reservoir of credit from which other corporations and industries had to draw their new capital. Here follows a brief review of realignments that have been taking place this year in a few of the more important industrial groups.

AUTOMOBILES Prospective inroads into profits, through competition, diminished rural purchasing power, and perhaps over-extension of installment credit, have been faithfully reflected in the price paths of individual motor stocks, and by movements of the price index of the automotive industry as a whole. Our price index of 16 Automobile stocks forged ahead of the Combined Average of 238 stocks up to the end of February, then entered upon what can only be characterized as a bear market, which was halted about the middle of May, after a ten weeks' decline of 37% from the year's high. This decline was inspired by a quite widespread feeling that a slump in the automotive industry was imminent.

But when the industry began to roll up new sales records in the Spring, people concluded that original forecasts were at least premature and the group index proceeded to recover, during the next ten weeks, about two-thirds of its Spring decline. By early in August, however, it again became evident that at least a moderate curtailment of production schedules must actually take place toward the end of the year. The Automobile group index accordingly resumed its decline and, at this writing, stands 32% below the year's high.



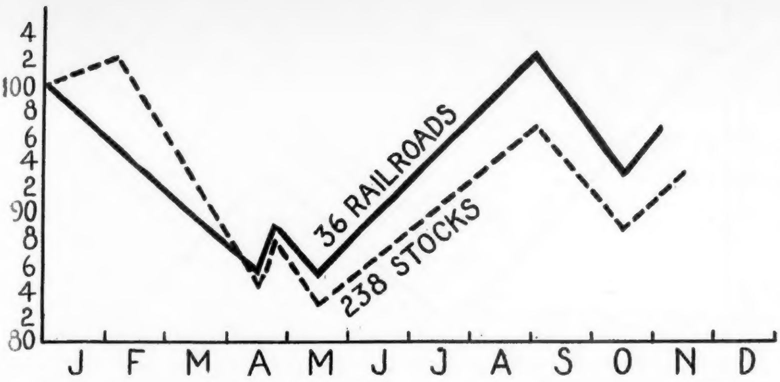
But individual motor stocks have by no means followed the group index. General Motors, for instance, whose aggressive policy of expansion has, perhaps more than any other factor, been responsible for the condition of intense competition that is now eating into the profits of weaker concerns—a competition which may eventually scale down the profits of even General Motors itself, in the general scramble for sales—is now up 87% on the year. At the opposite pole we find Jordan Motors, down 72% since January 1st. Next to General Motors, in ability to resist the pressure of a declining automotive stock market, stands Packard; but even this ably managed company is down 4% on the year. Then comes Yellow Truck (really a General Motors' subsidiary) with a decline of only 10%. The only remaining stocks now selling above the average of our group of 16, are Studebaker, White and Hupp, in the order mentioned.



The outlook for the automobile group of stocks, as a whole, is not especially favorable.

PUBLIC UTILITIES Despite the phenomenal increase in prosperity enjoyed by Public Utilities since 1921, it will be recalled that the group as a whole was carried last year to unwarranted heights and that a corrective reaction then set in which was not checked until the middle of April of this year. The last month of this reaction, however, was doubtless in sympathy with the weak undertone of the general market. Movements in our Public Utility price index this year have tended in a general way to parallel those of the Combined Average of 238 stocks. The extreme range has been from 5% below the general market, around the middle of March, to 5% above, toward the end of July. This would seem to indicate a mere resting period while the industry is assimilating its unusual progress of the past four years. At this writing, our Public Utility group index is pointing upward, and seems to foreshadow a further gradual appreciation in market price of the group as a whole. This is in keeping with the outlook for the industry.

At this writing, our price index of 12 Public Utilities reflects a loss in market value of about 7% from the year's high for the group as a whole; but price changes in individual issues have by no means followed the average.



Of the 12 stocks in our index, Brooklyn Union Gas leads the list with an advance of 23% since the first of the year. Public Service of New Jersey is a close second with its advance of 20%; then comes Consolidated Gas of New York, up 16%; Montana Power, up 5%; Columbia Gas and Electric, up 3%; and Laclede Gas, up 1%. All others are down varying amounts since January first, though Standard Gas and Electric has declined slightly less than the group average. Yet, with all this strength in high grade issues, and in the face of conspicuous steadiness in the group average, there has been a veritable bear market in two Public Utility stocks. American and Foreign Power, which opened the year at 42, had fallen below 15 by the end of October, an almost perpendicular drop of 65%; and Electric Power and Light fell 50% during the same period. These examples will suffice to show that a stock is not necessarily a sound investment just because it is classified as a Public Utility, and "Utilities are going up."

Outlook for utilities, as a whole, would indicate moderately higher prices.

RAILROADS One of the greatest stock market riddles of the century is how railroad net income could increase so greatly from 1921 to 1926 without causing more than a comparatively moderate rise in railroad common stocks as a group. It is all very well to say that everyone knew at the time that the earnings of 1921 were abnormally low and would soon recover, and for this reason railroad stocks were not depressed proportionately during the bear market of 1921. And it sounds plausible to say that current earnings seem too good to last. But granted that both apologies may be accepted at their face value, there still remains a wide discrepancy to be explained. Perhaps people simply dropped out of the habit of buying railroad stocks after years of "muck raking" and inefficient Government operation, and have not yet awakened to the radical improvement that has taken place in the situation. No business recession that is conceivable within the next few years could be of sufficient magnitude to effect serious inroads into railroad profits as a group, though certain individual roads would naturally fare worse than others. Adding the probability of an era of relatively low interest rates for the next few years, one has the chief ingredients for forecasting a revival of public interest in railroad stocks in the not too distant future. But the performance of our railroad group index offers only mild confirmation of this forecast.

Comparisons of the price movement of a group index in relation to that of the Combined Average are usually more significant than studies of the actual price movement; for such method brings out more clearly whether the outlook for the industry is better or worse than that for general business as a whole. On this basis, our Railroad group index holds out some promise of ultimately higher prices. During the month of January this index dropped to 4% below the Combined Average, then mounted to 5% above, toward the end of May. From that point it sagged a few points until the early part of August; but within a month advanced again to something over 5% above our Combined Average. At this writing, it has receded slightly to 95.8, which is about 3% higher than the Combined Average. At no time since April, however, has the Railroad group index dropped below the Combined Average of 238 stocks. This is in marked contrast to our Automobile index, for example, which now shows a decline of 23% below the Combined Average. In other words, while Automobile stocks as a group show a pronounced tendency to decline faster than the general average of all stocks, railroad stocks are more than holding their own. The value of this method of comparative analysis will stand out even more distinctly when we come to an interpretation of the Tobacco group index.

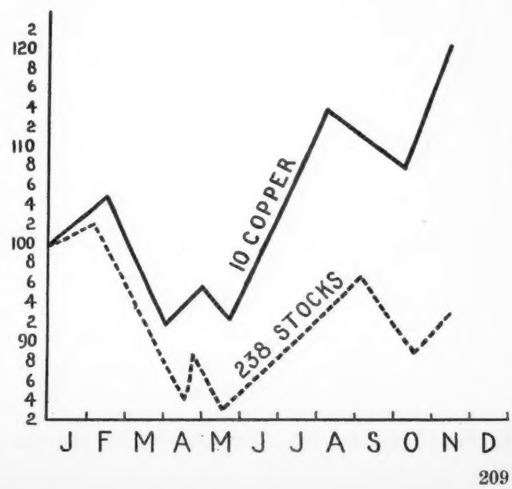
Upon examining the Railroad index in detail we find the usual sharp contrasts among its 36 component issues. The so-called Van Sweringen stocks have advanced considerably more than the group average this year. Pere Marquette is up 31%; and Chesapeake & Ohio, 28%; though Erie now stands at just about its last year's closing price. Other railroad common stocks that have scored an advance of over 10% thus far this year are Rock Island, Atchison, Canadian Pacific, Norfolk & Western, and Baltimore & Ohio, in the order mentioned. Fourteen other roads are now higher than the Railroad group index. At the other end of the list we find Seaboard Air Line, with a decline of 35% since January first; Western Maryland, off 24%; Chicago Great Western, with a decline of 22%; and Missouri, Kansas & Texas, down 21%.

The railroad group of stocks, as a whole, is still attractive, particularly the investment stocks.

COPPER At no time since 1920 has the copper industry been able to look forward to such seemingly favorable long-pull prospects as at present. Costs of production have been reduced to a point where many of the larger companies are able to derive handsome profits from the metal at fourteen cents. Domestic consumption is now growing at the rate of 10% yearly and export shipments, after years of hesitation, promise to increase rapidly with the restoration of industrial activity in Europe.

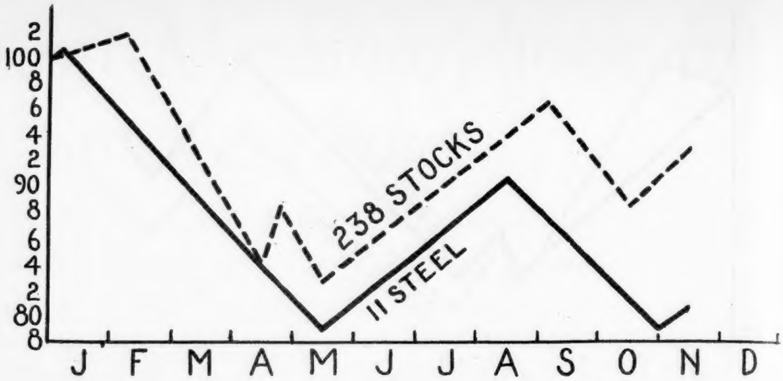
These favorable developments are all strikingly reflected in this year's progress of our Copper stock price index, which has at no time dropped below our Combined Average. Though copper stocks have followed broadly the ups and downs of the general price level, they have seldom been as weak as the general market when it declined, and have forged ahead of the general market when it was strong. The net result of this relative firmness is that our Copper index is now up 20% on the year, and has gained nearly 30% on the Combined Average. At this writing, the trend is still upward.

Upon analyzing our Copper price index we find that, with two exceptions, each of the 10 component issues has advanced this year more rapidly than the general market. The most conspicuous of these two exceptions is Mother Lode which, for special reasons, is now selling 28% below its price on January



first. The other exception, Chile Copper, is only 1% behind the Combined Average of 238 stocks, although 22% below the Copper price index. The most phenomenal rise among the Copper stocks this year has been in Greene-Cananea, which is now 122% above its price on January first. Next to Greene-Cananea as a star performer, though by no means in the same class, comes Miami with a ten-months' advance of 36%. The only other Copper stocks that have advanced more rapidly than their own group average are Ray and Nevada—Ray being up 31%, and Nevada 22%. Rather curiously Kennecott, which has received the most endorsements from market analysts, has actually advanced less than the group average this year, although it makes a very creditable showing with its gain of 14%.

Copper stocks have had a considerable advance and while they could advance further are no longer on the bargain counter, with one or two exceptions.



TOBACCO Tobacco stocks have enjoyed a greater advance this year than any other group but Sulphur. And well they might, for Fortune has favored this industry with an unusual combination of auspicious influences. Prolongation of general business prosperity has generated a demand for more and better cigars, while the spread of improved methods of machine production has cheapened the cost. Continued growth of the tobacco habit among women has accelerated cigarette sales, and reduction of taxes added more to profits. And as though these were not blessings enough now comes a superabundant world crop of the leaf, along with foreign discriminations against American tobacco, to lower the cost of the raw material. Great as has been the rise of Tobbaco stocks this year, it would seem as if this remarkable conjunction of bullish influences had not yet been fully discounted.

To anyone who is experienced in reading stock market price indexes the great strength that was to develop later in the Tobacco issues became evident early in the year. Upon referring to our Common Stock Price Index readers will note that the low of the year for our Tobacco index, recorded on April 17, was fully ten points higher than the Combined Average on that date. A month later, though the Combined Average broke to a point below its April low, our Tobacco index halted at a point higher than its previous low. After such a display of resistance to bearish pressure it need have occasioned no surprise when the Tobacco index rose three times as rapidly as the Combined Average during the ensuing recovery. At this writing the Tobacco index stands 44% higher than the Combined Average, and still points upward though further possibilities are limited.

At its high for the year American Sumatra, reorganized under the most favorable auspices possible, was up 231% from the beginning of the year. Even now, after moderate profit taking by fortunate holders, it leads all other tobacco stocks with an advance of 196%. During the past month Phillip Morris has scored a sensational advance and now shows a rise of 66% from January first. These are the two leaders. All other issues have failed to keep pace with their group average. Tobacco retailers do not seem to be participating in the prosperity of manufacturers. United Cigar Stores is up a bare 2% on the year, and Schulte is actually down 11%.

While tobacco stocks still point upward, they have undoubtedly enjoyed the major part of their advance and, as a group, have lost in attractiveness.

STEEL Reports of moderate slowing down in steel mill activities are now coming to hand at a season of the year when normally this industry should be speeding up. In view of the prospects for some falling off in the Automotive and Building industries, which last year took 37% of the country's Steel output, it is but natural to look for some further slowing down in Steel. Railroad requirements, which ordinarily consume another 25% to 30%, both directly and by way of equipment orders, should partly compensate for other loss of business. It is well to bear in mind, however, that present equipment has exceeded all expectations by the efficient manner in which it has handled the heaviest traffic on record. This suggests the possibility that railroad equipment orders may not be so heavy as anticipated, unless early revision of present forecasts points to a still further rise in rail traffic for next Fall.

It would perhaps be prudent for investors to consider at time the possible influence of even a moderate industry upon the market price of their individual holdings. A few of the stronger corporations, such as U. S. Steel, are well intrenched to meet any conceivable slump in new orders. Dividends would not be threatened, although the price of their common stocks would doubtless participate to some extent in any general decline of the Steel stocks as a group. But securities of some of the weaker companies might suffer a decline out of all proportion to the loss in gross income. It is generally understood that competition for new business is even now rather keen, and the necessity for securing enough tonnage to meet fixed charges at least might readily lead to covert price concessions that would eat seriously into net profits of some of the smaller independents. As we shall see, the stock market has already taken cognizance of these possibilities.

Actual price movements of our Steel group index this year have somewhat resembled those of the Combined Average, with two periods of declining prices and an intervening rally. At no time since the first of the year, however, has the Steel group been able to sell as high as the Combined Average. In the case of Steel, the relation of the group index to the Combined Average appears to the writer as being espe-

cially significant. During January our Steel index dropped about 4% below the Combined Average, and remained in approximately this same relative position until the end of July. From early in August up to date, it has been declining at a more rapid rate than the general market, and now stands at 13% below the Combined Average. This would seem to indicate that the stock market places a lower appraisal upon nearby prospects for the Steel industry than for business in general.

U. S. Steel, with its advance of 10% for the year, of course ranks above the group average. Vanadium, up 34%, has enjoyed the greatest advance, however. The weakest among the 11 Steel stocks included in our index is Penn Seaboard, which has lost 70% in a little bear market of its own. Ludlum is down 52%; Replogle, 34%; Gulf States, 37%; and Otis, 33%. Colorado Fuel has advanced 16% since January—a better showing than made by U. S. Steel.

The steel group is in a reactionary cycle which seems likely to continue for some time.

PETROLEUM The situation in the petroleum industry is one of such unusual complexity as to render prophesy rather hazardous. Looking ahead a few years, one has to weigh expert predictions of a domestic shortage at current price levels against the possible discovery of new pools, and the development of commercial processes for deriving a supplementary supply of crude oil from bituminous coal and shale. The nearby outlook seems to point to a natural supply more than adequate to meet a somewhat lessened rate of increase in demand. Even this deduction, however, is rendered less certain by recent progress in so organizing unit control as to minimize the menace of wildcatting.

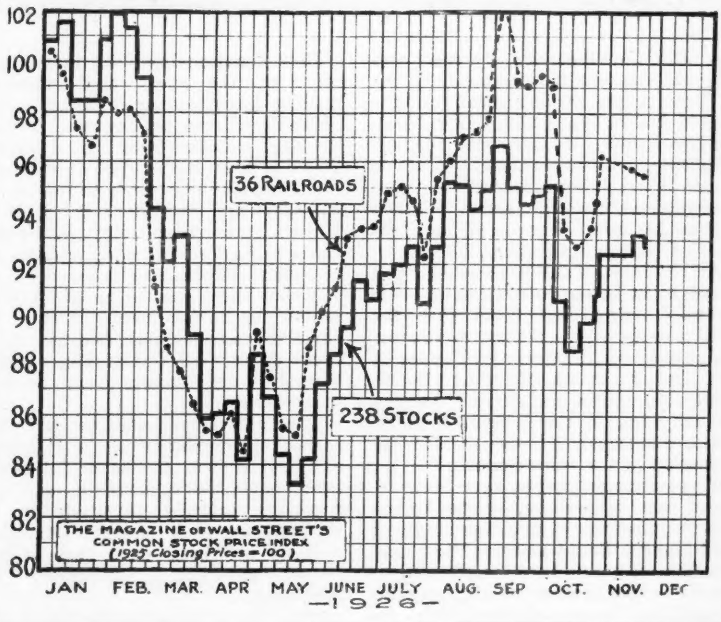
Rather paradoxically, a moderate rise in petroleum securities was started around the middle of October, under the leadership of certain low priced independents which were bringing in new wells. This development, while beneficial to the companies most directly concerned, scarcely seemed a bull argument on oil stocks as a group. On the other hand, price reductions in gasolene

(*Please turn to page* 271)

THE MAGAZINE OF WALL STREET'S
COMMON STOCK PRICE INDEX
(1925 Closing Prices = 100)

Number of Issues in Group	Group	1926 High Index	1926 High Date	1926 Low Index	1926 Low Date	Recent Indexes Nov. 13	Recent Indexes Nov. 20
238	COMBINED AVERAGE	102.0	2-6	83.1	5-15	93.1	92.7
36	Railroads	102.2	9-4	84.3	4-17	95.8	95.6
4	Agricultural Equipment	111.9	2-13	61.8	10-16	69.6	67.6
2	Alcohol	103.2	1-2	56.6	5-15	84.7	83.8
13	Automobile Accessories	104.4	1-9	78.0	5-15	81.4	80.0
16	Automobiles	104.0	1-9	66.7	5-15	72.0	70.2
4	Building Material	102.7	1-30	75.4	5-15	86.6	83.1
2	Business Equipment	106.2	2-6	82.2	4-17	101.2	101.6
10	Capital Goods	100.9	1-9	75.4	4-17	84.7	82.3
3	Chemicals	111.1	8-14	92.0	4-17	105.9	106.1
3	Containers	110.8	8-7	85.7	4-17	103.9	103.6
10	Copper	120.2	11-13	91.6	4-3	H120.2	118.0
3	Department Stores	101.0	1-2	67.6	5-22	74.0	74.6
9	Food	102.8	1-30	70.5	10-23	74.1	73.0
6	General	103.7	10-2	82.6	4-3	100.7	99.2
2	Leather	102.4	2-13	68.6	11-6	71.3	71.8
2	Mail Order	101.6	1-2	75.0	5-15	86.4	84.9
4	Marine	110.8	3-13	73.0	11-20	79.5	L73.0
2	Meat Packing	102.6	1-30	69.6	5-22	72.6	74.2
5	Metals	105.7	1-9	78.1	5-22	90.5	87.5
9	Miscellaneous	129.4	9-11	93.9	4-17	122.7	124.5
31	Petroleum	102.3	1-9	85.2	10-16	91.2	89.7
12	Public Utilities	102.0	2-13	82.4	4-17	94.7	96.8
1	Radio	139.5	11-20	78.8	4-17	134.5	H139.5
6	Railroad Equipment	100.0	2-2	84.8	3-27	97.0	96.3
1	Real Estate	102.8	2-2	74.3	3-27	86.9	87.2
2	Recreation	117.2	10-2	98.6	1-23	112.4	112.4
6	Rubber	114.3	2-6	59.8	10-16	65.6	61.8
11	Steel	100.6	1-9	78.8	10-30	80.8	79.9
4	Sugar	116.1	2-6	92.5	5-22	101.8	112.0
2	Sulphur	156.5	11-20	100.3	1-9	154.0	H156.5
2	Telephone	105.6	6-5	97.3	7-31	101.4	100.5
3	Textiles	104.6	2-6	57.7	5-22	72.6	93.2
9	Tobacco	139.3	11-20	94.5	4-17	134.1	H139.3
3	Traction	128.7	5-29	94.0	1-16	125.8	126.5

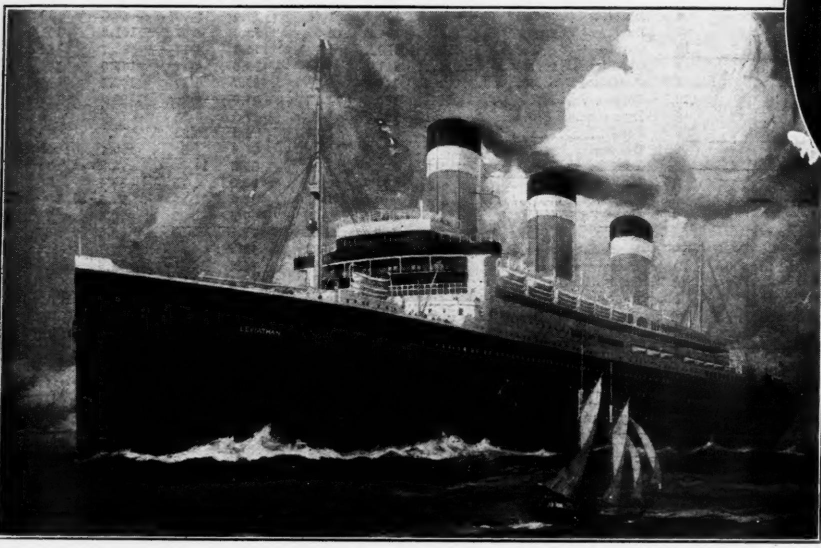
H—New HIGH record for the year. L—New LOW record for the year.

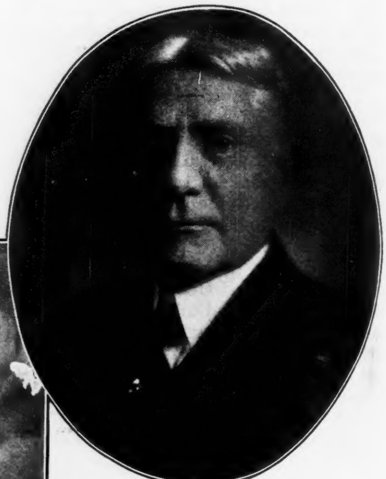


(An unweighted Average of weekly closing prices, specially designed for investors. The 1926 Index includes 238 issues, distributed among 33 leading industries; and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

We Need Ships to Secure Our Foreign Trade!

American Investments Abroad and Our Commercial Independence at Stake Unless We Own and Operate Our Own Ships





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By
BRIGADIER-GEN. A. C. DALTON
Pres. Emergency Fleet Corporation of the U. S. Shipping Board

With an introduction by our Washington correspondent

A REGULAR soldier who rose from the ranks is the "admiral" of the merchant marine fleet of the United States. Naturally, General Dalton is a fighter. He is making the fleet a fighting fleet—in a peaceful economic sense—this soldier-sailor, whose years of service in many phases of military marine transport have well prepared him for his present duties.

As president of the Emergency Fleet Corporation he serves respectful notice on all foreign flag fleets that the American lines are on the seas to stay. Simultaneously, Chairman O'Connor of the United States Shipping Board, addressing a great gathering at London of men high in the British shipping world, courteously conveys to them information of the same import.

These announcements have been received with satisfaction by the American shipping world and the staffs of the Shipping Board and the Fleet Corporation. To them they are the equivalent of a declaration of shipping independence; many of this circle, indeed, take the declared policies of the two fleet executives to mean that neither obliquely nor otherwise will the policies and acts of the national ship control hereafter be under any sort of foreign or international banking influence.

How denationalized the interests of some of the great and influential trading and financing organizations of New York have become was revealed to the country and to President Coolidge when the head of an outstanding financial institution called on the President and suggested: (1) That the United States lines ships (*Leviathan, George Washington,* etc.) might well be sold to British flag shipowners, and (2) that there was no naval auxiliary reason for having merchant ships under the American flag, because in the event of war all foreign-flag ships in United States harbors could be commandeered!

The interview is said to have been a shocking revelation to the President, and is known to have introduced throughout the country an explosive reaction decidedly favorable to the maintenance of a powerful American fleet at any cost—even that of continued government ownership and operation.

Members of the Shipping Board staff at home and throughout the world are reported now to be on their toes for business as never before; members of Congress have hastened to give assurances of ample legislative and appropriative support, the receipts of the Emergency Fleet are expanding; and from London comes the alarmed admission of British interests that the American lines have increased their European business 52% within a few weeks. It was in answer to many questions relating to the supposed foreign or internationally-minded influence over the activities of the emergency ships in the past, and to changes in the spirit and policy of the national shipping organization, that General Dalton made the following statement:

"An American flag-fleet of large proportions is now as essential to American business as the railways are. A creditor nation is a nation of investors with properties and stakes overseas. To the proper administration and fructification of those investments and interests, lines of transport friendly to the investors are indispensable. If we did not have ships in being our investors in foreign securities and tangible properties would compel them. Foreign trade is a diverse and complex organism involving banks, credits, ships, trained seamen, marine services, foreign selling agencies, mercantile colonies and so on. We have created the banks and the credits and the rest follows as the day follows the night, unless we choose deliberately to scuttle from the white light of the world's stage back to our old isolation

and self-sufficiency—and I rather think we have no power of choice.

"I predicted in 1917, while engaged in the huge task of transporting 2,000,000 men and their equipment to Europe, that the world war would be followed by the greatest economic battle of all time—the battle for supremacy on the high seas and in ocean-borne trade. The struggle is here. Energetic development of our over sea markets is now essential to our continued prosperity. While the era of our greatest industrial development was one during which our flag disappeared from the seas, because development was then conditioned on and within our own territories; this new era implies a great merchant marine.

"Rails provided the way for our continental expansion; they cannot cross the oceans. What the railways were and are for home trade, ships must be for foreign trade. To our railways we are now adding a great system of inland waterways, and the extension of our highways proceeds with bewildering rapidity. Formerly foreign markets needed and clamored for our export commodities and they eagerly supplied the sea transport that was in their interest as much as ours. Now even our agricultural products have become competitive and we must force their selling and provide the transport. An unequaled system of internal communications will defeat itself by its very ability to pile up visible surpluses at the ports unless it is supplemented with ocean terminals and marine carriers devoted to the American interest and capable of integration into a splendid delivery system from the farm and factory to the door of the foreign buyer.

"Without such a marine delivery service, and incidentally without an adequate navy, foreign investment fields may become sinkholes to engulf billions of American money. Great success in world trade always has been associated with seapower. The marvelous British Empire has advanced to pre-eminence in world trade over the successive wrecks of the maritime supremacy of Spain, Holland, France, and, finally, Germany.

"Military power on the sea and foreign commercial power are inter-dependent. A navy without an auxiliary merchant marine is like an army without a supply train.

"It is settled by the logic of the facts and, now, I believe by the will of the people, that we are going to maintain an adequate merchant marine. The hearings the Shipping Board has been holding (as a preliminary to preparations of a plan to that end) at central points all over the country, to ascertain what the people want, have revealed a gratifying determination to maintain a merchant fleet. The question is now, I think, one of *how* and not at all of *whether*.

"Certain recent events have contributed more, perhaps, to the crystallization of determination than all the missionary work that has been done since 1917. It so happened that our farmers produced this year large surpluses of wheat and cotton for export, calling for an unusual amount of transatlantic shipping at a time when a large part of that shipping under foreign flags had been diverted to the more profitable coal trade, arising from the strike in the British coal industry. In the case of cotton, curtailment of ocean transport facilities meant an additional depression of the price. In the case of wheat, it meant that and also deprivation of the benefits of the sharp European demand for our wheat pending the marketing of the large but later Canadian crop.

"If our Southwestern winter wheat had been held back by lack of ocean transport our great surplus, as well as that of Canada, would have deluged the markets simultaneously. Nothing stood between our farmers and such an event but the Emergency Fleet. I don't like the name, but it surely was a fleet for an emergency this year. We hastily threw into the Gulf Ports some thirty vessels and kept the wheat moving just as fast as the best service the railways have ever given filled the elevators at those ports. By way of contrast, American and Canadian wheat, accumulated at Montreal from last year's crop, fairly blocked the harbor with laden lake vessels and congested the railway yards and elevators. When the cotton movement started we began to divert all our remaining 'spot' vessels to the cotton ports and at the same time began drawing ships from our reserve fleet as fast as required. Since July 1 we have rushed into the foreign trade, from the 'spot' and reserve ships of the Emergency Fleet, approximately 500,000 tons of cargo carriers to provide American shippers of cotton, grain and other commodities with prompt transportation to foreign markets. It even took two special ships to relieve the congestion of Virginia apples at Norfolk, amounting to more than 50,000 barrels. The object lesson has not been lost on the interior. What has happened this year will happen again, not only to our farmers but also to our manufacturers. Our ships must follow our trade.

"Up to recently the main preoccupation of the Shipping Board has been liquidation of the war fleet; operation was secondary. From now on operation is to be our major concern. We are going after business. That means that we must build and replace.

"We have heartening assurances from members of both parties in Congress that that body will support a vigorous and forward looking policy. *Our shipping rivals should be duly warned that the time will never come when they can reckon the American merchant marine out of competition.* All these years since the war, when it seemed as if we were getting nowhere, we have been building up a large personnel of marine officers, sailors, ship operators, and foreign trade experts, and have established many private lines. We know the game now.

"A great problem before us now is that of providing new ships to take the places of the obsolescent vessels. We have not built a single foreign-trade ship since the war. Our equipment is becoming distinctly inferior. Our competitors are all the time launching newer and better ships. Diesel engine propulsion is leaving us far behind. We must face the fact that even while we have a big surplus of unused ships we must build anew. We cannot proceed much further in the creation of new private lines by selling them the old ships cheaply. Both the private lines and the Emergency Fleet lines must have new ships. The new ships, like the old, must somehow offset the higher capital and operating costs of American ships, and they must be planned and built with careful regard for the requirements of each route and trade. They must be the last word in structural and mechanical excellence.

"A plan has been pro-

(*Please turn to page* 278)

McCutcheon in the Chicago Tribune

KEEP THE FLAG AFLOAT!

An Unknown Railroad Croesus

Arthur Curtiss James, Country's Largest Individual Railroad Investor, in a Position to Make Railroad History by Extending Northwest Roads to Coast

By VINCENT GUY SANBORN

"IF I had his millions, I couldn't hope to get more fun out of spending money than this man James does." This comment, made admiringly by one who, though not overburdened with worldly goods, nevertheless, possesses a keen philosophy of life, comes close to hitting the nail on the head.

Arthur Curtiss James, heavily interested in railroad securities and by some reckoned as the largest owner of railroad shares in the United States, is not a drudge in the sense that making money and more money stands as his life work. Perhaps this is why Wall Street hears so little about him. With varied interests financially, Mr. James, nevertheless, combines a love for play which has kept him young. His carriage belies his fifty-nine years of age.

"Internationally known yachtsman and financier" was the way in which the metropolitan newspapers re-introduced Mr. James to the front pages last June when he modestly announced his purchase of Western Pacific. More recently, Mr. James, in discussing the business situation while on a western trip, took occasion to express the belief that the Northern Pacific-Great Northern-Burlington railroad consolidation would go through. This was made much of and as a result more than one outsider began to ask: "Who is this man James?"

Banking Associates

In a way, such a question in itself is a tribute to the man, who, although one of the truly great of Wall Street, never seeks publicity. Intimately associated with the firm of J. P. Morgan & Co. and the First National Bank of New York, Mr. James can go for weeks without being mentioned in the newspapers. In fact, one gets a definite impression that adulation and over-attention are distasteful to him.

His name, however, is one with which to reckon in the business world. The exact amount of Mr. James' stockholdings is impossible to estimate at this time. At the end of last year he appeared as the owner of 46,016 shares of Northern Pacific and 46,150 shares of Great Northern preferred. Although these two roads own all but 2½% of the outstanding stock of the Burlington, Mr. James owns a large block of the remaining minority shares. In addition, he owned 50,000 shares of Southern Pacific, the largest single block, but at the time of the Western Pacific purchase he let it be known that he had withdrawn from Southern Pacific in anticipation of his other move.

The retirement of T. M. Schumacher from the Southern Pacific board and executive staff supported this assertion because Mr. Schumacher is known as Mr. James' representative. A better idea of the size of the James holdings will be possible when the lists of twenty largest stockholders of the individual railroads are filed with the Interstate Commerce Commission at the end of the current year.

To a large extent Mr. James fell heir to his position in the railroad world. His father, the late D. Willis James, was an associate of James J. Hill in the latter's struggle for railroad empire. The battle between the Hill interests and the Harriman group for control of Northern Pacific resulted in the formation of the Northern Securities Company. The elder James was vice-president and a director of the new company and as a holder of a large amount of old Northern Pacific stock became heavily interested in the reorganized company, turning both these shares and those of Great Northern over to the Northern Securities. Dissolution of the Securities company by order of the Supreme Court left the elder James one of the largest stockholders of both roads.

Mr. James' father was the largest stockholder in the El Paso & Southwestern and the fairly recent inclusion of this property in the Southern Pacific System gave the son his interest in the latter road, an interest which has terminated to a large extent with the son's purchase of Western Pacific. The management of his father's estate in itself is an enormous task but Mr. James, according to Wall Street's way of thinking, has carried on with rare judgment and notable ability.

The Railroad Background

So much for the man himself. To determine his present place in the financial world it is necessary to go back but a short period to the time El Paso & Southwestern was taken into the Southern Pacific System. Until that time, Mr. James had pursued the even tenor of his ways. An exchange of securities was arranged whereby holders of El Paso stock received Southern Pacific shares. This brought Mr. Schumacher from the presidency of El Paso to a vice-presidency of Southern Pacific where he represented the interest of Mr. James in the larger road. Early in June the railroad and financial world was startled by a short announcement which told of Mr. James' purchase of a substantial interest in Western Pacific. At once speculation became general as to what the move meant to the transportation industry. Western Pacific and Missouri Pacific together own Denver & Rio Grande Western, and Missouri Pacific and Western Pacific heretofore had been reckoned as Kuhn, Loeb roads. The prospect of a Morgan-First National foothold in Western Pacific was one which caused tongues to wag.

Mr. James' announcement tended to put a stop to talk of immediate changes in the situation. The Street remembers his words:

"Believing firmly in the future of California and of the territory served by the Western Pacific, I have personally acquired a substantial interest in the stock of this company. For many years I have been a holder of and believer in Great Northern, Northern Pacific, Burlington, Southern Pacific and other western railroads and now have added to my railroad interests the holding of Western Pacific, having entire confidence in the ability of the territory served by the Western Pacific to support an independent competing system which shall have for its sole objective the upbuilding of the territory served by it. I believe in California and in the Great West and shall do my utmost to cooperate with the Western Pacific management in serving the public and so helping to build up the entire region through which it passes."

Even Wall Street was unable to dig up any hidden meaning in the frank and open announcement by Mr. James,

but possibilities of a realignment of western mileage still are believed to exist for the future.

Western Pacific runs from San Francisco to Salt Lake City at which point it hooks up with Denver & Rio Grande Western, the latter connecting with Missouri Pacific and Atchison at Pueblo. The Denver further makes connection with the Rock Island at Colorado Springs and with the Burlington and Union Pacific at Denver. From these connections it is argued that a hookup of Western Pacific, Denver & Rio Grande Western and Burlington might be considered to carry from San Francisco to Chicago. Support for this theory is to be found in the forthcoming completion of the Moffat tunnel line which, with the construction of a cut-off from the Denver to the new line, would permit of a rerouting of freight over a system which reduces the distance between Denver and Salt Lake City by almost 200 miles.

The Missouri Pacific, which owns the Denver jointly with Western Pacific, serves a territory from Omaha south and east to Kansas City and St. Louis; south to New Orleans, southwest to Brownsville, Texas, and west through Fort Worth to El Paso. The Burlington, serving chiefly the territory between Chicago and Denver, reaches the Gulf at Galveston over the Colorado & Southern, a controlled line. Also between Kansas City, St. Louis and the Gulf of Mexico is to be found the proposed southwestern system of L. F. Loree embracing the Kansas City Southern, Missouri-Kansas-Texas and the St. Louis Southwestern. Thus it will be seen that the situation is full of possibilities though probably with no immediate likelihood of any developments of a radical nature. Railroad consolidation moves are made quietly these days and only after mature consideration of the proposal from all possible angles, legal, financial and public interest.

That the Northern Pacific-Great Northern-Burlington system eventually will be extended into California is the prevailing belief in Wall Street today. This impression was heightened further by a recent statement made by Mr. James on his trip to the west. On this subject Mr. James said:

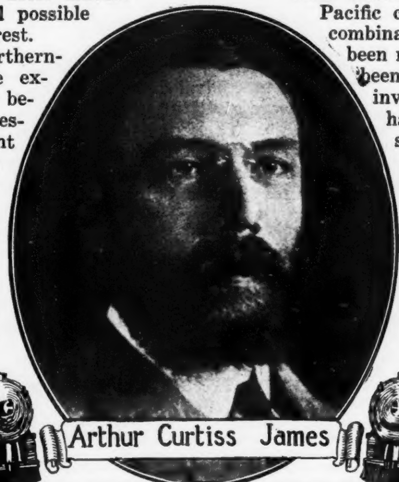
"The Burlington has been using Denver & Rio Grande and Western Pacific tracks for years to make connection with San Francisco. There is no need for any extension in that direction. But I look to see eventually the extension of the Northern lines into California. It was James J. Hill's dream when he built the Great Northern and his visions generally come true."

Another theory which the financial district entertains is that the Klamath Falls, Ore., extension of the Oregon Trunk Line, a subsidiary of the two Northerns, will be an important step in the plan to bring the Northern Pacific-Great Northern-Burlington system into California. With several possibilities existing today, the moves by the executives of the Northerns will be watched with great interest.

As for the ultimate consolidation of the Northern Pacific, Great Northern and Burlington, Mr. James' recent prediction that the deal would go through was read with interest because of his important place in this picture. For several years, in fact ever since the Transportation Act of 1920 was enacted providing for the grouping of the carriers into fewer and larger competing systems, work has been going forward quietly and steadily with the idea of working the three properties into one vast system. Hearings were held during the general discussion of the consolidation situation and officials of the three lines have testified at length as to the benefits to be derived from a consolidation.

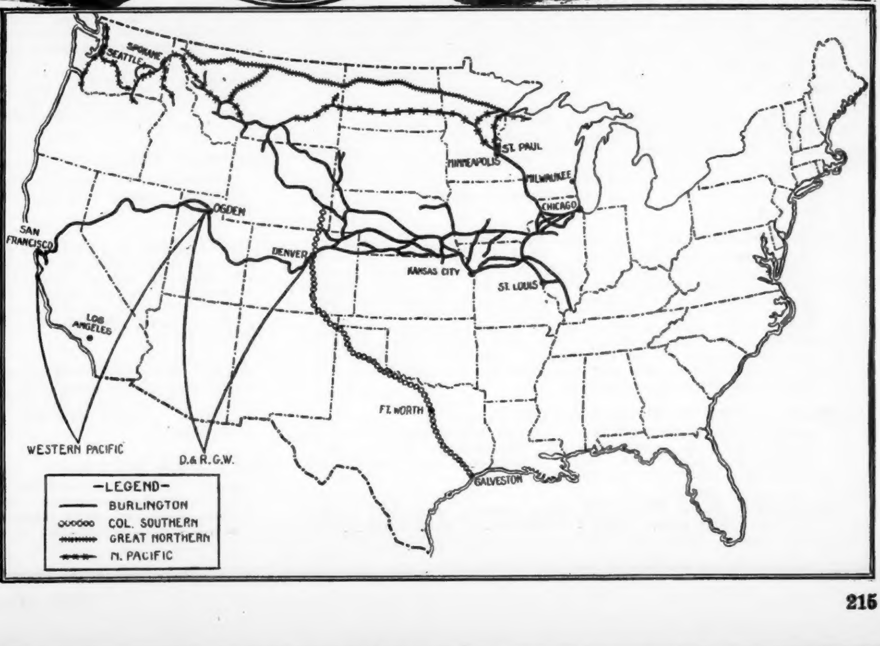
The deal, however, lacks the final power of realization under existing conditions. As Howard Elliott, chairman of the Northern Pacific, pointed out during the recent past, legislation will be necessary before the consolidation can be effected. The matter has been carried as far as possible at this time. Amendment of the law so as to permit outright consolidations will supply the power for the final push.

In the meantime, the entire group of Northwestern railroad stocks—Great Northern preferred, Northern Pacific common and (though not in the James combination) Chicago & Northwestern—have been making steady market progress and have been attracting the attention of conservative investors. Undoubtedly, these companies have emerged from the black clouds which surrounded them for years after the war, and are ready to take their place among the prosperous roads of America. *With continued improvement in the economic position of the Northwest, these roads will command even more investment interest than they do at present and their securities should reflect this betterment. This is a field for income and profit that should be considered by investors.*



Arthur Curtiss James

THIS map indicates graphically the far-flung empire embraced in the so-called "James group" of railroads. Included in the mileage in which Arthur Curtiss James is an important factor are Northern Pacific, Great Northern, Burlington, Colorado Southern, Western Pacific and Denver & Rio Grande. Wall Street even now is trying to figure Mr. James' purchase into Western Pacific in the light of a move of major importance in the consolidation picture of the Northerns and Burlington.



Bull Market in British Securities?

What the Ending of the British Coal Strike Means —A List of Representative British Securities

By E. BEDDINGTON BEHRENS

A FIVE months' coal strike, coming after a general strike and several years of industrial depression, has dealt a terrible blow to British industry. But booms and depressions move in cycles. It is when the majority are pessimistic that it is time to examine whether or not the more unfavorable factors have been discounted.

The cost of the strike has been computed in hundreds of millions. It may entail an increase in the present high taxation. The already large volume of unemployed has been swollen by those on strike and by the number thrown out of work in industries dependent on coal supply. These factors are bound to be reflected in the balance sheet of leading industrial concerns by a decrease of earnings as compared with last year. But the outlook six months hence may be quite different.

The two chief reasons for the continued industrial depression have been the constant threat of labor disputes and the instability of conditions on the Continent. The outlook for British industry will improve in the measure in which there is a satisfactory change in these two factors.

The continued danger of labor disturbances has had a paralyzing influence on initiative in practically every branch of industry. It has prevented normal expansion in the electricity and building trades. It has retarded the reorganization of the coal industry and curtailed the benefit of the reorganization of the railways.

The failure of the general strike and the coal strike is likely considerably to modify the policy of the trades unions. Moreover, the threat of further industrial depression is rallying the trades union leaders from a sense of patriotism to constructive cooperation with employers. At no time since the war have relations between capital and labor shown such a promising outlook. If the more moderate element of the coal owners cooperate with the government in making the actual terms of the settlement of the dispute as conciliatory as economic circumstances allow, the way seems clear for the creation of a new spirit between capital and labor in England.

The coal strike was the inheritance of government control during the war. Subsidies were given when this control was given up. The money was largely used to bolster up the older uneconomic pits, which otherwise could not pay a living wage. Public opinion has undoubtedly sympathized with the miner. But his fight was a hopeless one against the inexorable power of economic facts. The end of the strike will be a hard blow to the miner in the unfavorable districts, whom the owners if they are far sighted enough will assist during a limited period of transition. But it will re-establish the industry on an economic basis. The elimination of subsidized uneconomic competition will lead to an intensive development in newer coal fields.

New and profitable areas will be exploited. Owing to modern machinery overcoming the difficulties of mining at great depth, the finer seams of South Lancashire and Nottingham, an area of some 600 square miles, can now be extensively developed. Already three pits give a yield of over a million tons yearly. The seams are from 3 feet to 6 feet and produce some of the finest coal in the world. Here pre-strike wages can be paid and good profits made. The Cowdray interests, known in America for their large Mexican oil interests, are also starting to develop an immense new coal field in Kent on the South Coast, which, because it is but an hour from London, may eventually lead to the development of a new industrial area.

The regrouping of individual coal companies into large groups cooperating in home and foreign marketing (on the German model) is long overdue.

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Leading British Securities

COURTAULDS, world's biggest artificial silk company. Controls 70% rayon production in U. S. A. through American Viscose Company. New subsidiaries (Glantztoff-Courtaulds) in Germany, France (Soie Artificielle de Calais), and Canada entering production stage. Capital £20,000,000, ordinary capital £12,000,000 (market value £60,000,000). Continuous bonuses have been given. All increase of capital out of profits. American Viscose Co. in balance sheet at £16,000,000 same valuation as in 1924; obviously undervalued. Interim dividend reduced 1% immediately after the strike, which caused shares to fall from over £7 10s. to present price approx. £5 2s. Yield 5½%.

VICKERS leading iron and steel, shipbuilding and armaments firm. Capital £15,710,000, of which £4,100,000 in 12 million shares of 6s. 8d. Reorganized this year by committee headed by Mr. Reginald MacKenna, Chairman Midland Bank. Capital drastically cut down. Unprofitable ventures eliminated. Not paid dividend since reorganization. Present price 8s. 9d. Fluctuations 1919-26 (£1 18s. and 6s. 3d.).

DUNLOP RUBBER largest tire makers, rubber planters and cotton spinners in British Empire. Capital £18,000,000, of which £6,700,000 in 20 million ordinary shares of 6s. 8d. Drastic cutting down capital by reorganization under Sir Eric Geddes, 1924. Shares risen from 6s. in 1924 to approx. 29s. at present; highest 30s. Yield on last year's dividend 3½%, but increased dividend expected this year. In 1924 company earned 22½% on ordinary capital and paid nothing. In 1925 earned 35% and paid 15%. Subsidiaries in France, Germany and United States. Position of American subsidiary, which until last year was working at a loss, should have considerable influence on earnings.

GUEST KEEN & NETTLEFOLDS iron and steel, paid regular dividends during slump. Capital £11,800,000. Ordinary shares, £6,300,000. Present price 36s. Fluctuations (1926, 38s.-30s.), (1919-26, 140s.-26s.). Yield 6½%. Profit last year intact despite coal sales of 4.5 million tons at loss.

BABCOCK AND WILCOX boiler makers, etc., paid regular dividends during slump. Capital £4,600,000, of which £4,300,000 in ordinary shares. Present price 52s. Fluctuation (1926, 55s. to 46s.), (1920-26, 94-42). Yield 6¼%.

CALLENDERS CABLE & CONSTRUCTION CO. Capital £1,600,000, of which £300,000 in ordinary shares. Present yield 3½%. Price 60s. Highest since last bonus 66s. Cable companies will benefit before electric companies by present electrical schemes. Profits of this company shown yearly increase since 1916.

GENERAL ELECTRIC best managed electrical equipment manufacturers. Capital £5,000,000, of which £2,150,000 in ordinary shares. Present price 31s. Fluctuations 1926 (26-32), 1920-26 (45-14). Yield 4¾%.

BRUNNER MOND, alkali manufacturers, one of chief partners in recent chemical combine. Capital £13,700,000, of which £9,700,000 in ordinary shares. Price 37s. Yield 5¾%. Fluctuations (1926-32-39).

AMALGAMATED ANTHRACITE COLLIERIES Formed 1925. Capital £2,000,000 in ordinary shares. With United Anthracite Collieries controls 80% of anthracite fields. Economies by amalgamation not yet felt in earnings. Cooperates with United in foreign marketing especially in Canada. Fluctuations (1925-26, 16-24). Present price 18s. 6d. Yield on last year's dividend 8¼%. Hidden reserves.

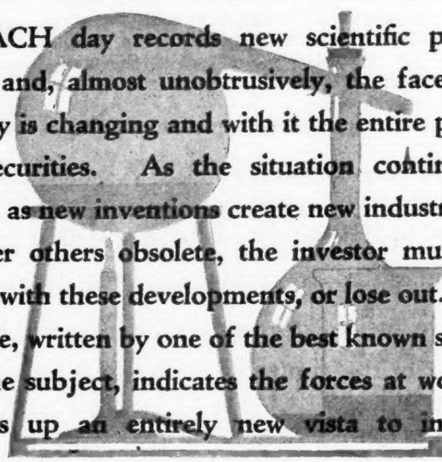
GREAT WESTERN RAILWAY Capital £104,000,000, of which £42,500,000 ordinary shares. Yield on last year's dividend 7¾%. Suffered serious loss in strike. Dividend this year likely to be reduced. Present price 88. Fluctuation since amalgamations in 1923 (118-81).

SOUTHERN RAILWAY Capital £112,000,000, of which ordinary. Deferred ordinary stock £27,600,000. Suffered less than other companies from effects strike as larger proportion passenger traffic. Yield last year's dividend, 7¾%. Present price 45s. Fluctuations since amalgamation (34-46).

Are We At the Threshold of a Synthetic Age?

Industries That Face Revolutionary Changes—Investment Significance

By HUGH FARRELL



EACH day records new scientific progress and, almost unobtrusively, the face of industry is changing and with it the entire position of securities. As the situation continues to shift, as new inventions create new industries and render others obsolete, the investor must keep pace with these developments, or lose out. This article, written by one of the best known students of the subject, indicates the forces at work and opens up an entirely new vista to investors.

EVERY wide-awake investor has before now, I suppose, asked himself the question, "Are we at the threshold of a Synthetic Age?" or if not that particular question he has surely asked himself some question that is closely related to it. What the investor really wants to know when he asks this question is not whether we are at the threshold of a synthetic age—what he really wants to know is, what effect is the intensive application of science to industry going to have on my investments?

The answer to the question that is really worrying the investor is that it all depends—that it depends upon how far American industry is willing to go in support of new discovery in the vast field of the nature and properties of matter as well as upon the intelligence and alacrity with which it applies already discovered principles that have been demonstrated to be practicable and economical. World wars of the future will be fought more or less peacefully, so far as physical combat is concerned, upon the battleground of science, which is Certified Knowledge, and nobody has as yet dared to set a limitation upon the fields on which these titanic struggles for supremacy and survival will take place.

Europe Will Hold Her Scientific Secrets

If the investors of America allow the industrialists to in any degree rely upon the assumption that in the future as in the past we will be allowed to share in the discoveries of the scientists of other nations, this country will in the end in all probability become as impotent before the competition of the countries that have set out upon voyages of discovery for new El Dorados as the Hottentots would be in a war with a nation using machine guns and airplanes! For this much is certain, the only possible hope that Continental Europe can have of recovering pre-war standards of living and competitive position lies in the field of new discovery which has been opened up by scientific methods. And that means, of course, that when Continental Europe, and especially Germany, fully realizes the truth of this assertion she will begin to keep her secrets to herself, for the exploitation of her own nationals.

I think, that as a matter of fact, Germany already realizes her position, and that this realization explains the almost eagerness with which she is casting aside political interests for the purpose of getting a stronger grip on the economic affairs of the Continent by means of the integration of industry through German dominated cartels and trusts. At the moment Germany is in the position of the man who is forced to pawn his overcoat for the sake of getting food with which to fill his belly, but that will not last.

The promises she makes now and the concessions she is forced to make regardless of their present value, can not be accepted as guarantees of her policy for the future, and that is a very important fact to bear in mind in connection with speculation upon the effects of the progress of science upon investments in American industry. Self-reliance in discovery as in everything else is the only safe course for this country. The more adventurers we send out, the more expeditions we equip and launch, the safer and more secure our own competitive position will be.

When Is Synthesis Economical?

In the application of science to industry discovery and scientific control have probably been of vastly more importance to the productive organization in general than synthesis, notwithstanding that synthesis has completely revolutionized several very important industries and created some that never existed at all until this method of applying science was adopted by industry. As a general thing synthesis, by which I mean the art of duplicating natural products through controlling and combining their constituent elements, is economical under only two sets of conditions; it is economical when natural supplies become exhausted or their recovery becomes too costly, and when the impurities in natural products make the synthesized material more desirable at a higher cost. There are any number of products, of course, that the chemist has synthesized out of the blue sky which have no counterpart in nature, but these products except when they become substitutes do not displace other materials or result in revolutions in industry. The entire by-product coal-tar industry from which has come most of our dyes, nearly all of our modern explosives and many of our most important medicines, not to mention perfumes, is an industry that did not exist until science discovered and the chemists began to hang all kinds of organic molecules around the "carbon ring."

It is impossible, of course, to over-emphasize the importance of the synthesis which led to the development of the by-product coal industry. In addition to giving the world many new products which it needed badly but products which it had never thought or heard of, the coal tar or dye industry furnished the incentive which drove scientists on to new discoveries in other fields and awakened mankind to the realization that there were many things between heaven and earth that were unknown to its philosophy.

When Would Synthesis Be Called For?

As I understand the question asked by the title of this article, it is directed at the possibility that we might be entering upon an age in which everything that we use will be produced synthetically. To that reading of the question the answer, in my opinion, should be: No, we are not at the threshold of a synthetic age! I even doubt that, so far as our civilization is concerned, we shall ever approach it.

I do not mean that it would be impossible for us to produce all our needs through synthesis, I mean that it will probably never be necessary to resort to synthesis for everything we need.

The function of synthesis, aside from the incidental developments to which it may lead us, is that of the pinch hitter, it is to be called upon when badly needed. This function may shortly be called into operation in connection with the replenishment of our diminishing supply of motor fuels, although to me it seems more likely that our approaching needs in this particular will be supplied by processes which fall somewhat short of synthesis, namely, the process of liquefaction of coal.

It is possible and, unless the world becomes much more altruistic than I have any hope for, it is even probable that we may be forced to fall back on synthesis for some products which we do not command in their natural state long before, in a well regulated world economy, it would otherwise be necessary for us to take the step. Control of such products by foreign monopolies might very easily force us to seek their production through synthesis, but even in these cases it is probable that we will find the solution of our problems in the development of substitutes or in the discovery of new sources of supply. For example, in the case of rubber we are much more likely to find a new source in the guayule plant than we are to resort to the synthetic production of rubber, notwithstanding that the synthesis of rubber has already largely been perfected. Or, in seeking independence in sugar supplies we shall very probably find the source of it in home grown corn and artichokes. It is probable, indeed it is quite certain, that many of the things that the chemists accomplish are as much mysteries to them as they are to the average laymen.

They know how to produce many results that they cannot explain; results that they do not even try to explain. All of which means that there are vast fields for new discovery, and that means, of course, that nobody can confidently attempt to draw a line between one stage of chemical progress and another. Take, for example, the results produced with the use of high pressures and catalysts, both practically new developments. These developments have opened an entirely new field for research. They have already produced synthetic ammonia (fixed nitrogen), methanol, and a cracking process for coal through which it is claimed our future supplies of motor fuels will come. Moreover, these developments mean that synthetic fuel gas is a possibility. As a result, the coal, the gas and the petroleum industries face revolutionary changes. Fortunately for the investor interested in them the industries affected are able to face these changes more or less confidently, though all of them are not likely to directly profit from these developments. Even if we take the most optimistic estimates as to the extent of the remaining supply of petroleum it seems clear that the reported new source of supply was not discovered much before it was needed.

The gas industry would unquestionably look upon the development of a synthetic fuel gas or gases as a boon, and nothing that could happen would please the bituminous coal industry more than the discovery of a means for producing motor-fuel at the mine-mouth on the scale promised by the new process.

It is evident, of course, that from the standpoint of the average investor, the possibilities in connection with synthesis are much more important than they are from the standpoint of the average consumer who is only interested in the proximity of the date when he will begin to take his food in capsules.

Something to Think About!

"If the investors of America allow the industrialists to in any degree rely upon the assumption that in the future as in the past we will be allowed to share in the discoveries of the scientists of other nations, this country will in the end in all probability become as impotent before the competition of the countries that have set out upon voyages of discovery for new El Dorados as the Hottentots would be in a war with nations using machine guns and airplanes!"

Unlimited Possibilities

But even from the standpoint of the investor, synthesis loses both its terrors and its charms when it is placed alongside the possibilities that confront us in connection with the general movement towards taking the control of industry out of the hands of rule of thumb technologists and placing it in those of scientists who are bent upon making every process an exact one. The economies to be won in this way through the elimination of waste and the improvements of products are much more likely to decide the fate of the average industry in the struggle for survival than any discovery that might lead to the duplication of its products through synthesis.

Even scientific control is not the most important requirement in connection with the conduct of modern industry—it is far more important for all industry that we keep an army of searchers in the field on the lookout for new lands and as a guard against surprise attacks. The most painful fact about the progress of modern science is that it has hardly moved a foot upon the road that lies before it—as amazing and astounding as the accomplishments of science have been they are as nothing compared to the possibilities that are in sight.

Science has even begun to question the validity of the law of the conservation of energy—perpetual motion is no longer the unthinkable fantasy of unbalanced minds—it is a subject of serious discussion by scientists.

To date the progress of science has been mainly in the direction of preparation for further progress—it has been preparing the tools, working out the methods and otherwise perfecting the machinery for investigation. As the airplane brought the North Pole within the pale of known and familiar things, the equipment that has been and is being perfected by scientists is bringing unknown and undreamed of principles and laws of nature closer to our grasp. As yet we have only put an inquiring finger into the workings of the atom—we don't know and lack the imagination to conceive what lies in store for us in connection with exploration in this field.

Equally important are the researches of the biologists, the botanists, the bacteriologists and even the astronomers. Astronomy taught us the way to use the X-ray in chemical and physical analysis, and has contributed many other things to the advancement which is rapidly carrying us on towards new worlds.

In any case, the investor will learn that in an age such as the present, nothing is impossible along the line of revolutionary changes in industry. Hence, he will always be on the lookout for some important development of a scientific nature which may herald a decisive change, for better or worse, in the value of his investment.

For it is the scientist who has in his hands the keys which eventually will unlock the door to industries as yet unknown to us and which will end for ever industries considered today to be imperishable. It is for that reason the investor should take the time in this quickly changing age to ascertain for himself whether the managements of the companies in which he is interested are keenly alive to the possibilities of fundamental technical changes which might affect these companies or whether they are sticking to methods which may soon prove to be obsolete, and which may consequently have a great bearing on his security holdings.

→Read This Article and Save Yourself Some Money←

Increase Your Income Without Spending an Extra Cent

How to Use Income Tax Laws with Profit

By M. L. SEIDMAN

THIS eminently practical article should be worth a great deal in dollars and cents to investors who, because of lack of knowledge of income tax laws, have been unconscious of their loss of opportunity to increase their net return. This article introduces our Income Tax Department, the first instalment of which appears in the Dec. 18 issue and which will continue on until income tax payment time in March. The department will be conducted for the fifth consecutive time by Mr. M. L. Seidman, one of the best known tax experts in the country.

IN these days of large variety of securities and extreme competition between them for the investor's attention, he is learning to give consideration to every possible factor making up "net return." Thus he has learned—often not soon enough—that very serious consideration must be given to the income tax factor in determining the attractiveness of a given purchase of securities.

Perhaps the most commonly understood illustration of the effect that taxation has upon net return is the tax-exempt security. Men of large income have found it more profitable to clip a 5% coupon from a municipal bond than to clip a 6% coupon from a taxable bond. The reason is apparent. Where one's income is subject to a tax as high as 25%, the $6 return is, in fact, reduced to $4.50, and if he can get a $5 return not subject to encroachment by the tax collector, he is clearly the gainer by a choice of the tax-exempt security.

Other Considerations

How then may the investor make the most of his opportunities from this specific viewpoint? Or, more concretely, are there any other ways in which an investor can adjust his holdings to meet his particular income tax requirements? The answers are as numerous as they are varied. But it is simple enough to see the direct tax effect upon a given transaction under a specific set of circumstances, after a deal is consummated.

Quite likely, most everyone now understands that the receipt by an individual of a certain amount of income does not necessarily carry with it a fixed amount of tax. One cannot say, for instance, that an individual who has made a net profit of, say, $25,000, will be called upon to pay a tax of, say, $2,500. A number of questions must first be answered. Here are some:

Is the income partially or wholly tax-exempt?

Is it in the nature of interest or dividends?

For how long a time were the securities held before sale?

What is the amount of income from other sources?

These and a number of other questions must be answered before one can say specifically how much of this $25,000 is to go to the tax collector. The man who can anticipate the answers to the questions involved in a particular case can arrange his affairs in such a way as to get the best possible return from a security so far as the tax cost is concerned.

General Knowledge Not Enough

There are, naturally, certain refinements in taxation which are difficult for the average man to understand and apply in his every-day transactions. Nevertheless, it is frequently upon the understanding of these very refinements that the net return from securities depends: this, of course, is assuming all other things to be equal, so that the tax consideration is the only one resulting in the difference.

To make the point clearer, take the very individual previously referred to, who has learned enough about the tax effect upon his income to buy a 5% tax-exempt security rather than a 6% taxable one. That is really a matter of arithmetic. But right here is a further refinement which might have an important effect upon the net return from an investment in tax exempts. I am referring to the substantial difference that it often makes to the purchaser of a bond whether he buys it at a discount or at a premium. Also, whether he holds such a security to maturity or sells it before maturity.

To illustrate, let it be assumed that a 4% 10-year bond is issued by State A at 90 to yield approximately 5%. Let us assume also that State B issues a 6% 10-year bond at 110, so that its yield is also approximately 5%. If the State A bonds are bought, there will be received by the purchaser ten interest payments each of $40, or a total of $400 on every bond, and $100 discount to be realized at maturity, making all in all an income of $500, which will be tax-exempt.

In the case of the State B bonds, the ten interest coupons, each being $60, will total $600. These also are tax exempt. At maturity of the bond, however, the $100 premium is lost, since the bond is redeemed at par, so that the investor in this transaction also nets $500, the same as he did in the case of the State A bonds.

One would assume, therefore, that the net tax result is the same in both cases. But is it? In the case of the premium bond, while the $600 received through interest coupons is tax-exempt, there is in addition an actual deductible loss of $100. This $100 can be deducted from any other taxable income which the investor may have, thus saving him so much tax from his taxable income. In dollars and cents this means exactly $25 on every bond to anyone whose income is taxable at the maximum rates.

In the illustration given, the $100 being a capital loss, the saving would be limited to 12½%. It must be apparent, however, that where large holdings in tax-exempt securities are involved, the income tax effect is necessarily substantial. Assuming, therefore, in this illustration, that both bonds are equally

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How to Use the Guide

AS the year draws to a close, it is customary for clever business men not only to take stock of their assets and liabilities but to examine closely into the reasons for the past year's successes and failures. After careful consideration of all the factors affecting their business, retaining the strong features and casting aside the weak, they place themselves in a vastly improved position to enter the new year with confidence in another successful record. The investor will find it profitable to follow this method, carefully examining his list of security holdings, and making the necessary adjustments even though this may amount to a confession that his past selections were not all that could have been desired.

It is among the purposes of this reinvestment section to afford investors an opportunity to size up their own holdings with those recommended by our Staff. The securities here presented have been selected with great care as to actual intrinsic value and future possibilities. So far as is humanly possible to predict in advance, we believe the selections are sound.

They have been divided into the various leading groups of securities with suitable comment calculated to give readers a quick but comprehensive view of the actual position and outlook of each group. The tables include only sound investments but in each case consideration has been given to the possible profit element. Not a single issue has been recommended which, in the estimation of the editors, fails to hold forth promise of an eventual appreciation in price. Originally planned to include over 150 issues, a number of the tentative selections were later rejected so that the tables, in their final form, represent the most desirable of current reinvestment opportunities.

The recommendations have been especially adapted to year-end reinvestment requirements and investors with funds ready to be employed should find these securities of pertinent and immediate interest. They may also be utilized by investors who at present have no funds to invest but who may find it desirable to switch any of their present holdings into those recommended in this section. Practically all the securities listed herein represent seasoned issues with a long and satisfactory record. They comprehend in the main, the desirable combination of security of principal and income, ready marketability, and possibilities for price enhancement though the extent of the latter of course, depends on the nature of the security recommended. Each investor will find in this set of recommendations, securities ideally adapted to his own specific purpose.

Financial Stocks

BANK STOCKS are essentially a long-term investment. This is indicated by their low yields. Obviously the investor accepts these yields because of his belief that surplus and undivided profits, accumulating from year to year, will eventually be disbursed. It has been demonstrated that the resulting yields are, as a rule, extraordinarily large, so that the investor is more than compensated for his patience. At this time yields on bank stocks are not quite so low as they were last year. Bank stocks are ideal, therefore, for long-term re-investment. The safety of investing in great New York financial institutions is unsurpassed; ultimate yields are equally attractive.

INSURANCE STOCKS are, in effect, investment trust securities. This truism needs only two modifications. The insurance company that covers its underwriting expenses, obtains revenues with which to pay out dividends only from its investments. Such companies as show marked underwriting losses are less than investment trusts and are not good investments. The opposite is not true. Where underwriting profits are shown, these should be disregarded, as they are not as important as income from investments. Insurance company investments would be much more profitable, were it not that many of their holdings must be very liquid, so as to pay out sudden losses. The practice of re-insurance is, however, diminishing this factor. At the present, insurance stocks have shared in the dull markets of financial stocks generally, so that they are cheap as compared to the general securities market.

Bank Stocks

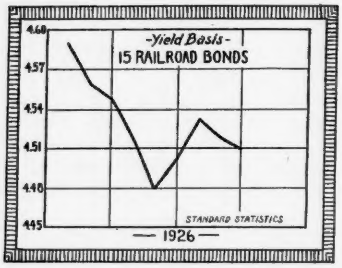
Issue	Price	Income	REMARKS
Guaranty Trust	419	2.86	Largest trust company in the world. Earnings are double dividends. While extra disbursement is not in offing, shares should go higher as such declaration nears.
Manufacturers Trust	528	3.78	Rapidly growing enterprise. Recently absorbed several neighborhood banks. Earnings over $38 per share against dividend of $20. Market opportunity with fair yield.
Nat. Bank of Commerce	415	3.85	Conservative institution of soundest calibre. Earning $7 more than dividends, and has book value that may permit extra disbursements.
Chemical National	820	2.95	"Old Bullion," a conservative, yet rapidly expanding bank. Gains in deposits made at no sacrifice of high standards. Earning $30 per share over dividends.
State Bank	610	2.62	Very desirable state bank, admirably managed. Large foreign following of the best type. Book value and excess earnings warrant disbursements and rights.
Chelsea Exchange	300	2.00	Rapidly growing midtown New York institution under demonstrated constructive management. Probable future gains; desirable for those who can forego low yield.

Insurance Stocks

Continental	138	4.34	Head of the "America Fore" group. Company's book value must be far in excess of $109, commonly given. Progressive and powerful. Large market possibilities.
Great American	280	5.71	Stock sells near liquidating value and pays out most earnings in dividends. Purchase primarily for yield. although surplus distribution would also seem feasible.
Home	360	5.00	Stock sells on attractive yield basis because of payment of large proportion earnings in dividends. Center of large organization and affiliated companies.
Niagara	225	4.44	Earns $4 per share above dividends and has liquidating value of $206. Possibilities of distribution not extreme, but present yield makes price quite attractive.
North River	112	3.57	Earnings are about double prevailing dividend rate. This, accompanied by book value in excess of market quotations, reveals good market possibility.

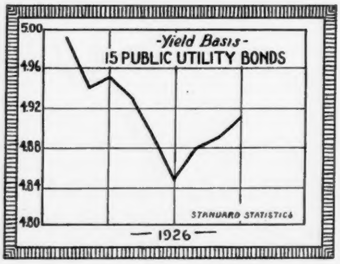
Corporate Bonds

Railroads



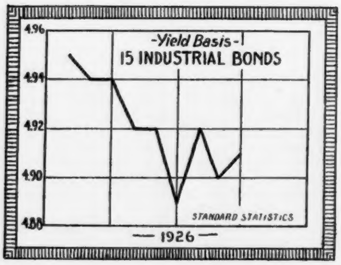
THE upward movement of bonds in the last few months has surpassed the previous high of the year, and has resulted in the lowest yields in a decade. Railroad bonds, especially those that had not previously received the greatest attention, have shown wide gains. In this, they have not only reflected the upward march of the bond market, but, also, specifically the improving position of the rails. It appears self-evident that a possible recession in business will have the smallest measurable contingent effect on rails. Hence the permanent recovery of this great American industry is basically assured. Rail bonds again take first place among corporate issues, because of their seasoning and the enormous values in junior equities now being evidenced. Earning power cannot be restricted, through legislative enactment, but, rather, the valuation of the Interstate Commerce Commission will give to these bonds an almost governmental status. For these reasons we have sought for investment opportunities among those bonds whose quality is a little short of that of the leading gilt-edged issues, but which are inherently, not only safe, but practically assured of gains in price.

Public Utilities



PUBLIC Utility bonds are relatively new in importance among listed securities. Until several years ago they were a fraction of what they are today. In this they are unlike the rails, which have not increased their listed issues considerably. The principal market for utility bonds was over-the-counter. In large measure this is still true. Those that have been listed, naturally embrace many of the best quality. Bargains among them are now rarer than among the rails. Investment attention has been called to these issues and has been remarkable for the ingenuity with which it has appraised their worth. While bargains are rare, the number of bonds whose yields are extremely high are common. This all the more illustrates the discrimination with which investment merit has been appraised in the market. Fairly attractive yields and notable appreciation possibilities dominate among those offered in the accompanying list.

Industrials



IN selecting industrial bonds to meet re-investment needs, an even more rigorous standard must prevail than among rails and utilities. Whatever 1927 may have in prospect, it is not expected to be a year of startling industrial advance. Hence all industrial bonds that are likely to be markedly affected by fluctuations in corporate earnings must be ruled out of consideration. Not only must the bond be in a position to follow the generally upward course of bond prices, due to market fundamentals, but it must produce a better yield than railroad or industrial bonds of otherwise equivalent investment desirability. The accompanying list fulfills these requirements in addition to having appreciation probabilities.

Railroad Bonds

	Price	Yield to Maturity	COMMENT
Galves., Houston & Hend. 1st 5s, 1933	96¾	5.57	Road operated in alternate years by MKT and In.-Gt. Nor. Important Houston and Galveston terminals. Earnings static. Bond should advance towards maturity.
Kentucky & Indiana, Terminal, 1st 4½s, 1961	91	5.05	Guaranteed principal and interest by endorsement of B. & O., Southern Ry. and Chi., Ind. & Louisville, both jointly and individually. Gilt-edged.
Minn., St. Paul & S. Ste. M. 1st. Con. 5s, Guaranteed, 1938	97¾	5.25	Guaranteed as to interest by endorsement of Canadian Pacific. First lien on all property of co., present or future. Lien on valuable leases also. Earnings good.
Missouri Pacific, 1st & Ref. "A" 5s, 1965	98⅜	5.09	Part of an issue having a first lien on 3,300 miles and second lien on 1,700 miles. Railroad is showing remarkable gains, and bond has possibilities of profit.
N. Y., Chi. & St. Louis, Ref. "A" 5½s, 1974	104⅛	5.27	The "Nickel Plate" shows interest earned more than twice over. New company may surpass this showing. Bond attractive for yield primarily, but may advance.
N. Y. & Greenwood Lake. P.L. 5s, 1946	99⅛	5.07	Underlying bond of Erie system, guaranteed prin. & int. by endorsement. Indispensable to Erie's suburban and terminal services. In $100 denominations.
Norfolk Southern, 1st & Ref. "A" 5s, 1961	88	5.81	Consistent gains in earnings available for interest put this bond on the bargain counter. First lien on 334 miles. Has opportunities for great market gains.
Peoria & Pekin Union Ry 1st "A" 5½s, 1974	100¾	5.45	Terminal and operating road. First lien on all property. Stock in company owned by five great systems. Interest earned 2.5 times. Gilt-edged. Profit possibilities.
Tex. Pac.-Missouri Pacific, Terminal R.A. 5½s, 1964	103½	5.29	Controls New Orleans terminal facilities. Both roads pay bond interest and all charges and maintenance. Guaranteed jointly and severally. Yield attractive.

Public Utility Bonds

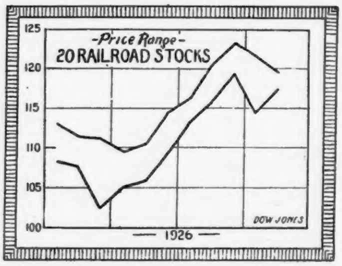
Hudson & Manhattan, 1st & Ref. "A" 5s, 1957	97¾	5.14	Secured by first lien on large part of road, and second lien on remainder and on Hudson Terminal Bldgs. Earnings basis improving.
Louisville Ry. Con., 5s, 1930	92½	7.19	First mortgage on street railways of Louisville, Ky. Earnings improving. As maturity nears, these bonds should gain rapidly. Interesting opportunity.
Montreal Tramways, 1st Ref. "A" 5s, 1941	97⅜	5.25	Mortgage on 225 miles of street railways in Greater Montreal. Traction Act of Province of Quebec, a practical guarantee. High-grade investment.
New York Dock, 1st 4s, 1951	83½	5.19	First mortgage on all property of company. Operates pier and warehouse facilities in New York. Earnings static; attractive on yield and market possibilities.
Niagara, Lockport & Ont., 1st Ref. "A" 5s, 1955	100	5.00	Hydro company dominating Western New York. First mortgage on practically all property of company. Interest earned 3.19 times with increasing margins.
Northern States Power, 1st & Ref. "A" 5s, 1941	100	5.00	Direct lien on all property and securities of system. Serves 1,200,000 in Northwest. Interest earned twice. Excellent for small appreciation and diversification.
Public Service of N. J., Sec. 6s, 1944	103⅞	5.65	Corporation serving 2.5 million in Northern New Jersey with every utility service. Interest earned 3.23 times. Secured by deposit of ⅔ stock of principal subsidiary.
Tennessee Elec. Power, 1st & Ref. "A" 6s, 1947	105	5.59	Subject to divisional mortgages only. Interest earned twice. Serves giant industrial and mining developments in Eastern Tennessee.
Union El. Lt. & Pr. (Ill.) 1st "A" 5½s, 1954	101¾	5.38	North American Co. subsidiary. First lien on entire property, present or future. Property leased to Mo. corp. same name. Interest earned amply. Gilt-edged.

Industrial Bonds

B. F. Goodrich, 6½s, 1947	106⅝	5.93	Nearness of quotation to call price only reason for high yield. First mortgage on all assets present or future. Interest earned 11 times.
Inland Steel, Deb. 5½s, 1945	100½	5.44	Subject only to $450,000 prior liens. Interest earned over 9 times. Unsecured but protected against future prior liens. Highest-grade of industrial bond.
Lackawanna Steel, 1st Con. "A" 5s, 1950	98¾	5.09	Underlying bond of the Bethlehem Steel enterprise. Secured by first mortgage on plant and pledged underlying stocks. 3 millions purchased by s. f. at 105.
Liggett & Myers, Debenture 7s, 1944	123	5.04	Leading cigarette manufacturer; interest requirements are earned ten times. Current income 5.69%. Attractive current return chief investment inducement.
Standard Milling, 1st Ref. 5½s, 1945	100¾	5.43	In 1930 will rank as senior bond. With earnings more than four times interest charges, and future ranking position, bond is in exceptional position.
Union Oil of Calif., "C" 5s, Feb. 1, 1935	98	5.30	Important producer with extensive proven reserves in California. Interest earned nine times. Low coupon rate makes redemption improbable.
U. S. Rubber, 1st & Ref., "A" 5s, 1947	94⅝	5.43	Earning power of company rose rapidly in 1925, but may show recession. Interest earned about three times. Yield good and bond will go up with future of co.
Youngstown Sheet & Tube Deb. 6s, 1943	103¾	5.65	Important independent steel producer. 29 millions in divisional liens underlie issue. Interest earned over four times. Co. in excellent position.
United Drug, Gold 6s, 1944	106¾	5.41	Issue only 12.5 millions. Yield high because of nearness to 107½, redemption figure. Interest should be earned over ten times in 1926. Assets exceed issue by 5 to 1.

Corporate Stocks

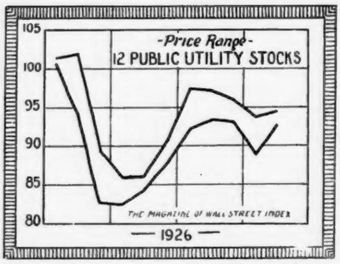
Railroads



DURING the last two years, railroad securities have been gradually, but none the less certainly, resuming the position of pre-eminence they occupied two decades ago. The ability of the carriers to overcome the handicaps of federal control during the war and the efficiency with which operations have been conducted have played a large part not only in creating but in maintaining prosperity.

The strong railroad market has carried standard issues to a point where the yield on the investment is rather inadequate, but this does not constitute a sound reason for their omission from an investment program. By careful discrimination it is still possible to combine security with a reasonable return through interspersing medium grade preferred stocks and occasional semi-speculative common stocks of roads having good prospects, with the guaranteed and the more solid preferred and common issues.

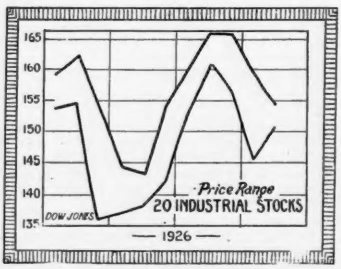
Public Utilities



BELATED recognition of the values inherent in public utility securities was the cause of this group featuring the market for a considerable period. The natural stability and inevitable growth of this type of service, the goodwill instilled in the public by customer ownership, the more reasonable attitude of regulatory bodies, and the decline in material costs, all contributed to this end. Enthusiasm was too rampant, however, and the turning point arrived well before the crest of general prices was reached. Prices of utility common stocks have declined to a more rational basis, but have tenaciously clung to levels higher than those of average industrials in recognition of the qualities just enumerated, and the more recent markets have taken greater cognizance of the merits of the well established operating companies in comparison with the more spectacular holding companies.

There are good opportunities combining safety and adequate income returns in public utility preferred stocks. Some common issues still are attractive.

Industrials



PARTLY because of their numerical predominance, industrial issues as a rule overshadow rails and public utilities in market interest. Industrials comprise such a wide range of divergent industries that it has become more and more difficult to appraise them in their entirety, and while the different groups move in cohesion to a limited extent if the trend of the general list is clearly enough defined, the market for industrials is becoming increasingly selective.

As the situation stands, many issues have sold and are still selling at inflated levels while others have scarcely participated at all in the great market rise. The general average of industrial prices is undoubtedly very high as compared with years prior to 1925. The tendency in recent months has been to give greater recognition to stocks of companies with established earning power and to deflate the more speculative type based largely on future hopes.

Guaranteed Railroad Stocks

	Price	Yield %	COMMENT
Beech Creek	40	5.0	Operates 142 miles. Leased to New York Central for 999 years under terms which guarantee present dividend, expenses and taxes. High grade investment.
Erie & Pittsburgh	63	5.6	Eighty-mile line from New Castle to Girard Junction, Pa. Leased to Pennsylvania R. R.; guarantees dividend and bond interest. Sound investment.

Railroad Preferred Stocks

Bangor & Aroostook	101	6.9	New England road with potatoes as principal item of traffic. Not of highest grade but offers greater yield than most regular dividend payers.
Kansas City Southern	64	6.3	Long record of uninterrupted dividends. Road likely to be nucleus for large consolidation in southwest. Dividend well protected by earnings.
Wabash A	75	6.7	Reorganized system in excellent shape physically and financially. Steadily increasing earnings. Participation with common renders it attractive.

Railroad Common Stocks

Great Northern	80	6.3	Gradual restoration of old earning power in line with improved conditions in Northwest. Increased dividend probably matter of months.
Illinois Central	123	5.7	Foremost record of stability. Value of subscription rights offered at intervals serves to increase actual yield. Out of line with issues of its class.
Southern Pacific	108	5.6	Well rounded 13,000 mile system with diversified traffic. Strong financial position and sustained earnings indicate more liberal dividend disbursement in future.
Southern Railway	120	5.8	Fruits of long upbuilding process reflected in amazing recovery, but shares have hardly as yet discounted full extent of prospective earning power.

Public Utility Preferred Stocks

Brooklyn-Manhat. Transit	86	7.0	Reorganized traction with adequate earning power developed under generally adverse conditions. Moderate fare increase would place issue among elect.
Columbia Gas & Electric	98	6.1	New issue scheduled for early listing. Rapidly growing and strongly financed electric system; extensive natural gas properties. Wide margin of earnings.
Federal Light & Traction	88	6.8	Operating in western states with well defined earning power in recent years. Dividend covered 5 times over. Entitled to somewhat higher market appraisal.
Public Service, N. J.	124	6.5	Supplies utility service to large and densely populated section of New Jersey. Stable and increasing earning power. High type of preferred issue.

Public Utility Common Stocks

American Tel. & Tel.	148	6.1	Premier common stock investment. Inherent stability of earnings practically assures maintenance present dividends. Subscription rights increase yield.
People's Gas, Chicago	125	6.4	Virtual monopoly in gas service to Chicago. With return of normal conditions earnings sufficient to support dividend with comfortable margin. Has investment merit.
Public Service, N. J.	32	6.2	Influx of population to northern New Jersey reflected in steadily improved status for issue which is to be placed on $2 dividend basis.

Industrial Preferred Stocks

Allis-Chalmers	110	6.4	Dividends covered regularly from 2 to 3 times over. Strong protection in assets and earnings. Selling at redemption price.
Associated Dry Goods 1st	100	6.0	Senior issue of prosperous dry goods chain. Dividends earned on average more than four times. Entitled to good investment rating.
International Paper	97	7.2	Largest newsprint manufacturer in process of expansion. Issue still in semi-speculative class but good medium for income and profit.
Mack Trucks 2nd	103	6.8	Temporary falling off in earnings of leading truck and bus manufacturer not sufficient to impair strong position of this security.

Industrial Common Stocks

Allis-Chalmers	87	6.9	Large manufacturer of industrial machinery and electrical equipment. Remarkable stability of earnings and constant growth in equities.
Anaconda Copper	49	6.1	Large copper producer and fabricator of metal products, line which lends certain measure of stability to operations. Could pay higher dividend.
Youngstown Sheet & Tube	86	4.7	Third largest steel enterprise, soundly managed and earning dividend about 4 times. Conservative dividend tends to keep stock below intrinsic worth.

Unlisted Securities

THE unlisted market covers in a general way all securities not listed on the New York Stock Exchange. Some, it is true, are listed or traded in on the New York Curb or exchanges in other cities, although these are often sold over-the-counter as well; others are confined to the over-the-counter market exclusively.

Unlisted securities sell on their intrinsic merits to a greater extent than listed issues, as the factors of manipulation, margin trading and short selling are almost entirely absent. Intermediate swings of a general nature on the New York Stock Exchange are often reflected in Curb prices, so that unlisted stocks with a partial market on the Curb are more susceptible to meaningless fluctuations than otherwise. Broad swings based on fundamental conditions are of course applicable to all markets, and unlisted common stocks should not be purchased at a time when a major bear market is strongly indicated any more readily than listed issues except insofar as the necessity for purchasing the former outright if at all removes the temptation to an unsound marginal commitment.

Quick marketability is an asset involving some expense, and on this account unlisted bonds and preferred stocks are often available at a slightly more favorable figure than listed securities of equal merit. Owners of unlisted issues as a rule are furnished less information regarding the affairs of their companies, but this in itself provides the unusually keen investor with opportunities to acquire little known securities of great potential merit which is disclosed at times only upon their subsequent listing. At any rate, the unlisted market is worthy of attention on the part of the investor as a means of placing some portion of his investment and semi-speculative funds.

Government and Municipal Bonds

FOREIGN government securities have been in the forefront of investor attention recently, and large profits have been made therein. These profits have, unfortunately, cast a glow over bonds that would otherwise have little standing. The crux of the advance in European issues has been the large amount of American investment abroad, that has given a temporary validity to unsound economic situations. Uncertainty as to the date at which the possibilities of repayment will either be demonstrated conclusively, or else, fail of attainment, continues to cloud these issues. To meet the needs of re-investment, such speculative considerations must be eliminated. Recommendations in the accompanying table have been made from among those countries not weighed down by the heritage of war. These issues have not attained their full investment status, and it would not be surprising to see profits in all of them. Their yields are, of course, exceptional.

The gradual lessening of the weight of tax burdens has very much reduced the market value of tax-exemption enjoyed by municipal and state bonds. The reduction of this premium did not, however, militate against the price of these prime securities. Their advance continued, but not at such a pace as to make their yields unattractive in comparison with other bonds. As a matter of fact, when their great safety is considered, as well as their privileged position in many states with reference to trust fund investments, they are today quite cheap. As the rate of interest tends to decline, these securities will continue their advance. They combine absolute safety with appreciation possibilities. At the same time, their yields are not unreasonably low. They merit a place in a re-investment program. For the small investor, it is to be noted, that a new odd-lot market in these securities puts them within his reach. In the odd-lot market prices are, curiously enough, lower and yields higher than in the accompanying table.

Unlisted Bonds

	Price	Yield %	COMMENT
American Power & Light 6s, 2016	100	6.0	Obligation of prominent public utility holding company under supervision Electric Bond & Share. No mortgage security but wide margin of earnings.
American Type Founders 6s, 1939	102	5.8	Old line organization owning largest type founding plant in world. Bonds not secured by mortgage but well protected by earnings and equities.
Cont. Gas & Electric 6½s, 1964	102	6.4	Controls group of electric light and power companies operating over wide range of territory. Secured by stock collaterial. Excellent earnings.
Npt. News & Ham. Ry. G.&B. 5s, 1944	92	5.7	Secured by first mortgage on gas plants and by deposit of underlying bonds. Owns various utility properties in Virginia.
Pure Oil 6½s, 1933	103	5.9	Conducts extensive operations in all branches of oil industry. No mortgage security but amply protected by restrictions and earnings.
U. S. Rubber 6½s, 1927-1940	101	6.0	Offer wide variety of maturities, yield varying slightly with issue selected. Interest covered by wide margin of earnings.

Unlisted Preferred Stocks

Barnhart Bros. & Spindler	105	6.7	Operates second largest type foundry in U. S. Controlled by American Type Founders, which guarantees dividends on this issue.
Congoleum	105	6.7	Small issue of important floor covering enterprise. Dividend covered fourteen times in 1925 despite curtailed earnings. Earnings improving.
Stand. Gas & Elec. Prior	103	6.8	Senior stock issue of one of most extensive of all public utility holding companies. Dividend earned over four times.

Unlisted Common Stocks

Fajardo Sugar	140	7.1	Porto-Rican sugar company enjoying large earnings despite low sugar prices. Strategically situated to benefit from improving sugar market.
Gulf Oil	90	1.7	Largest individual producer of crude and one of best rounded companies in industry. Negligible yield but good future possibilities.
International Silver	93	6.5	Leading manufacturer of silverware in business many years. Dividend of recent origin but well within earnings. Appreciation possibilities.

Foreign Government Bonds

Argentine S. F. "A" 6s, 1957	98½	6.11	Most solid financial community in Latin-America. Public credit should eventually rival that of British Dominions, or better than 5.50%.
Chile, External S. F. 6s, 1960	93⅞	6.45	Large industrial development with tremendous American investment, and assisted by high educational level, make Chilean issues attractive. Debt record excellent.
Haiti, External S. F. "A" 6s, 1952	98½	6.12	Negro republic in the West Indies under American tutelage. American backing in effect assured thus barring default.
Uruguay, External S. F. 6s, 1960	95	6.36	Important white Latin-American republic, with high industrial and educational development. Temporary sinking fund suspensions; debt record otherwise satisfactory.
Newfoundland, 5½s, 1943	103½	5.18	Oldest crown colony of Britain, now a dominion. Public credit is high-grade; population industrious and intelligent. Paper and mining industries in infancy.
Dominican Republic, S.F. 5½s, 1942	97¾	5.77	Government in effect a protectorate of the United States. Debt obligations subject to special supervisory provisions. Ought to appreciate to 101, call price after 1931.

Public Bonds

Tennessee, Ref. 4½s, due 1954	104⅞	4.20	Southern state whose credit position is today unquestioned. Conservative growth in population with much more rapid development in wealth.
New York City, 4¼s, 1960	100½	4.17	Most important city and port in the world. Constant skirting of debt limit, especially for transit expansion results in large yield. Present fiscal policy sound.
Cincinnati, 4½s, 1943	104½	4.15	Conservative industrial and commercial city; center of the Ohio Valley. Credit highest grade. Should yield about 3.95%.
Detroit 4½s, 1946	103⅜	4.25	Fastest growing industrial center of the Middle West. Automobile hub of the world. High-salaried population adds to taxable values.
Federal Land Bank, 4¼s, 1956-1936	100⅞	4.13	Joint obligation of average all Federal Farm Loan Banks. Exempt all taxation except inheritance taxes. Safety unquestioned.

Chicago, Rock Island & Pacific R. R.

From Reorganization to Dividends

The Story of Rock Island's Remarkable Achievement

By J. A. POLLOCK, Jr.

ALWAYS a popular issue with the public, Rock Island common has been rather disappointing in the last few years. Throughout the past twelve months, however, the stock has been consistently strong at advancing quotations and is held currently at its record high price since reorganization in 1917. During the last few years the company has appeared several times on the verge of better earnings, but at last in 1926 it has found its stride, and it now appears a virtual certainty that by December 31 next, earnings for the calendar year of close to $11 a share on the common stock will have been established. This will be double the earnings achieved in any other year since reorganization.

It has been generally felt and frequently contended that Rock Island should have a natural earning power considerably in excess of that displayed in recent years. This theory was correct only to the extent that it ignored gross revenues. Railroads, like manufacturing concerns and most other forms of industrial enterprise, have each a sort of focal point, in respect to volume of gross business, below which it is very difficult to increase net profits, but beyond which earnings increase with extreme rapidity. Rock Island, it would now seem, had just failed to reach this coign of vantage in each of the past three years. Thus gross revenues were $130,000,000 in 1925, 1924 and 1923, and marked at that level only a slight recovery from $125,000,000 in 1921, to which revenues has declined from $141,000,000 in 1920.

In the current year, however, business of the road has witnessed a further marked recovery, gross revenues in the first nine months exceeding those of the same period last year by $5,560,000. Expenses, on the other hand, have only increased by $1,067,000, of which the entire amount has been absorbed by maintenance, always generously treated by Rock Island. Cost of conducting transportation, despite the greatly increased volume of business, not only has added nothing to the road's expenses, but actually shows a slight decline, $166,000 from 1925.

In spite of its considerable extent in relation to its mileage, the Rock Island constitutes an exceedingly well laid out and well balanced system, which may perhaps be best described as a series of trunk lines in which gathering lines or feeders are of less relative importance than usual except in the case of the transcontinental lines. As the present tendency in the industry is to stress quite definitely the importance of securing a long haul in its effect upon earnings, this characteristic of the company's physical structure may be favorably regarded.

Altogether, Rock Island operates 8,022 miles of first main track located in fourteen states, a circumstance certainly conducive to diversification of freight tonnage and traffic risk. About 5,205 miles of the system is main line and about 2,817 miles is branch line. Of the main lines 483 miles are double tracked, and total trackage, including yard and sidings is over 11,000 miles. The directions of the main stems of the system are generally east and west, with, however, some important exceptions. Thus there is a line from Chicago through Des Moines and Omaha (the company's original mileage) which, at Belleville, Kansas, joins another similar line reaching westward from St. Louis through Kansas City. West of Belleville a single line extends to Denver, Colorado. Another reaches south through Kansas and Oklahoma to Fort Worth and Dallas, Texas, whence connection is had via the Trinity and Brazos Valley — controlled jointly by Rock Island and the Colorado & Southern—with the Gulf ports of Houston and Galveston. Perhaps the most important route of all is that extending southwest through Kansas City to Santa Rosa, N. M., connecting with the Southern Pacific and affording the latter its main Chicago connection. This is the line of the well-known Golden State Route to California.

Although generally classed as a granger road, Rock Island has an exceedingly well-balanced freight tonnage, fully in keeping with its territorial extent, and which, moreover, is tending to improve. The ratios of the principal commodities are given below:

Year	1916	1925
Products of Agriculture	26.91%	20.90%
Animals and Products	6.61	5.44
Products of Mines	31.98	36.55
Products of Forests	8.27	7.35
Manufactures and Miscellaneous	20.12	25.74
Merchandise, L. C. L.	6.11	4.02
Total	100.00%	100.00%

The company originates about 65% of the business handled on its own lines, a circumstance which obviously permits of favorable relations as respects interchange traffic and the maintenance of open gateways at important points.

At the end of 1916 Rock Island had 1,595 locomotives, with total tractive effort of 47,722,500 pounds and average tractive effort of 29,921 pounds. On December 31, 1925, the company had practically the identical number of units, 1,596, the total tractive power of which was 56,406,288 pounds and average traffic power 35,342 pounds, an increase in the latter designation over the interval of 18.1%. Freight equipment at the end of 1916 involved 45,842 cars against 48,198 at the end of 1925, average capacity having increased from 75,777 pounds to 77,805 pounds, or by 2.7%.

The greatly increased efficiency with which the road's traffic is being currently handled, undoubtedly results from the extensive improvements which the management has had under way in the last few years. From reorganization in 1917 to December 1, 1925, approximately $71,000,000 has been expended upon additions and betterments to road and equipment of which half was expended in the last three years of the period. As no dividends have ever been paid on the common stock, approximately $17,000,000 of the entire program was financed out of surplus and $18,000,000 through charges to depreciation, or over $35,000,000 out of earnings, so that it was necessary to increase borrowings by only $39,000,000, which still left available $3,000,000 of additional working capital.

As the company's mileage is actually less than at the beginning of the period

the improvement program has manifestly been entirely along the lines of intensive development and upbuilding, a fact that lends a great deal of emphasis to the effectiveness of the work accomplished. These betterments are proving particularly effective this year under the stimulus of a better volume of business, the lack of which had, as previously pointed out, proved a decisive handicap in the immediately preceding years. Thus, comparing the operations of 1925 with those of 1916, an increase of about 24% in traffic density was handled over the same average haul with about the same number of train miles per mile of road. An increase of about 24% in average train loads was effected, however, which permitted an increase in train-mile revenue of about 75%, as against only 40% in revenue per ton-mile. In the current year further marked improvement is apparent. In August for instance, an increase of 5% in freight traffic density was handled with 2.2% less train miles.

An important effect of the recent heavy maintenance and betterment program has been the marked improvement in the road's freight car situation. Thus on October 15 last, bad order cars were only 5.7% of the total on line, compared with an average of 6.3% for all roads, and with 12.1% for Rock Island on October 15, 1925.

It is generally recognized that Rock Island has an exceedingly low capitalization, a consideration which should largely void the criticism of a top-heavy capital structure. Although debt stands to stock in about a 2 to 1 ratio, it is undoubtedly more correct to say that the company is very lightly capitalized than that it is heavily bonded. Thus funded debt is outstanding at only about $32,000 per mile and share capital at about $16,000 per mile or $48,000 in all, nearly 30% under the average western carrier. It must be conceded, however, that the form of the capitalization is such as to accentuate to some extent the effect of fluctuating earnings upon common share results.

As bearing upon the fundamental soundness of the present structure it may be pointed out that the reorganization of the Rock Island in 1917 reduced debt $51,000,000 and added $54,000,000 to the par value of stock outstanding, while incidentally, $27,000,000 of new money was supplied.

Nothing, of course, more fully confirms the conservative nature of the road's capitalization than the Interstate Commerce Commission's valuation of property devoted to transportation. This was one of the first final valuations of any large carrier handed down and likewise one of the most favorable. As of June 30, 1915, the commission found a value for the properties devoted to transportation of over $335,000,000, which brought down to date by addition of subsequent improvements would indicate an asset value for the common stock of close to $130 a share, against a book value on December 31, 1925, of not quite $130 a share.

A consideration of Rock Island's immediate position and prospects should include the company's profit on its transaction in St. Louis-Southwestern stock. During 1925 Rock Island purchased a large interest in the latter, which it later disposed of very advantageously to the Kansas City Southern, realizing $2,467,000 profit from the transaction, equal to $3.31 a share on the common stock. This sum was not included in 1925 earnings, however. This additional cash combined with greatly improved earnings have put the company in a very comfortable treasury position. As it is decidedly probable that future earnings will continue at the present higher level, dividends on the junior shares may very properly be considered shortly. A dividend would permit the original shareholders, who have received no return since reorganization, to benefit from the road's increased prosperity, plus the further incentive of establishing the common on a basis where it could be eventually employed for financing purposes. *It may be pointed out that Rock Island could pay $5 on its common and still return a larger sum of earnings to the property than in any year to date.*

Essential Data on Chicago, Rock Island & Pacific

Table I—Earning Record

Year	Available for Common	Per Share	Additions and Betterments
1917	$3,968,000	$5.33	$3,769,000
1918	1,915,000	2.55	6,633,000
1919	1,321,000	1.76	4,580,000
1920	1,096,000	1.46	12,297,000
1921	2,213,000	2.95	5,314,000
1922	718,000	0.96	2,424,000
1923	915,000	1.22	14,261,000
1924	3,268,000	4.36	10,781,000
1925	3,399,000	4.56	11,158,000
1926 (est)	8,000,000	10.74	N. F.

N.F.—Not yet available.

Table II—Capitalization, Working Capital & Reserves

(000 omitted)

Date	Dec. 31, 1917	Dec. 31, 1925	Increase
Road and Equipment	$323,898	$409,704	$85,806
Other Investments	21,412	21,316	96**
Total	$345,310	$431,020	$85,710
Funded Debt	220,230	259,375*	39,145
Preferred Stock	54,422	54,549	127
Common Stock	74,360	74,483	123
Total	$349,012	$388,407	$39,395
Working Capital	9,250	12,539*	3,289
Depreciation Reserve	6,598	25,120	18,522
Surplus	9,938	21,953	12,015

**Decrease. *Adjusted to show as a current liability a short term note of $8,000,000 issued against purchase of St. Louis Southwestern stock and since retired.

Table III—Income Increase

12 Months Ended	Dec. 31, 1917	Dec. 31, 1925	Increase
Gross Revenues	$89,609,000	$130,683,000	46%
Net Railway Oper. Income	18,474,000	17,926,000	3*
Other Income	448,000	1,233,000	175
Charges	11,395,000	12,193,000	7
Net Income	7,527,000	6,966,000	7*
Mileage	8,297	8,022	3*

*Decrease

How to Value Railroad Stocks

Special Factors Involved in Estimating Value of Railroad Issues—Some Helpful Pointers for Investors

By DUDLEY G. HARRINGTON

THIS is the third of a series of four educational articles. The first article, "How to Value Public Utility Common Stocks," appeared in the November 6 issue. The second article, "How to Value Mining Stocks," appeared in the November 20 issue. The last article, "How to Value Oil Stocks," will be published in the next issue. Each article contains a rating of all the leading stocks of the group listed on the N. Y. Stock Exchange.

IN considering railroad securities, we come to a group which has occupied a foremost position in the investment field for a longer period than any other. Prior to the beginning of the present century, by far the greater part of the trading on the New York Stock Exchange was confined to railroad stocks and bonds. Then an era of great industrial consolidations was inaugurated, and consequently industrial issues have been steadily assuming a more important place in the listed market, eclipsing the rails not only numerically but also in popularity for a considerable period, due to the immunity of industrial enterprises from the government regulation over their affairs to which the railroads have been subjected. Government operation during the war was the source of additional difficulties which have been overcome to a large extent only in the last two years. The revival of railroad prosperity has had the natural result of stimulating a greater degree of interest in this group of securities than has been manifested for a long time.

It might be supposed, in view of the seeming similarity in the nature of their operations, that the appraisal of one railroad stock against another would present no great difficulties. This is to an extent true as far as the income statement is concerned, as the form of this exhibit is prescribed by the Interstate Commerce Commission, and there is consequently greater uniformity in reporting income than in the case of any other industry. It is far from true, however, in other respects. There are wide divergencies among the different roads in the status of the capital structures, traffic relations, physical condition of the properties, peculiarities of the territories traversed, the character of freight handled, as well as in financial strength, credit, and innumerable matters of lesser importance.

Special Factors Affecting Earnings

Earnings of course are a valuable criterion, but they must always be considered in their relation to past earnings and future prospects in the light of the various factors just mentioned. Furthermore, a railroad, just like any other business, may have its earning power greatly impaired through some unexpected or abnormal condition arising over which it has no control. A case in point is Chicago & Eastern Illinois which for a considerable period was unable to cover its fixed charges in full because of the suspension of operations of a large number of unionized bituminous coal mines which it served. This is a situation which it was possible to foresee. Obviously the mines could not continue indefinitely to operate at a loss against the non-union organizations with their lower wage scales. It would have been necessary, however, for a holder or prospective purchaser of Chicago & Eastern Illinois stock not only to be familiar with the critical condition in the coal industry, but likewise to have knowledge of the fact that bituminous coal constituted a substantial portion of the freight carried and that this traffic was the product of union mines. On the other hand, the same situation had the reverse effect and was of great benefit to roads like Chesapeake & Ohio which serve non-union territory.

This matter bears a direct relation to the advisability of a railroad having as great a diversification of traffic as possible. The more equally traffic is divided among different types of commodities, the fewer the contingencies of an unfavorable nature which are likely to arise as a result of a decline in the output of any particular commodity or group of commodities. Thus Southern Pacific with its well balanced distribution of freight among the four major divisions, products of mines, agriculture, forests, and manufactured goods, is in a position of greater stability than a road such as Great Northern with a preponderance of iron ore tonnage.

The status of a basic commodity may very well have an important bearing on the prospective earning power of railroads operating in a particular territory even though the actual effect upon volume of tonnage of that commodity is not vital. The recent collapse in the cotton market is a good illustration. The extent to which the purchasing power of the population in the cotton belt is impaired by an absence of prosperity determines to a considerable degree the amount of other varieties of freight carried by the Southern roads. In other words, where a section is prosperous, the roads operating therein are likely to be prosperous, and vice versa. Naturally a road traversing different territories has greater stability than one serving almost exclusively an area wherein the business interests are concentrated in a single direction.

Traffic Origin

Another factor with a bearing on stability is the amount of traffic originated by the railroad itself as against the proportion received from connecting lines. A complete understanding of physical characteristics and matters pertaining to traffic is often difficult to acquire from the annual reports although much can be deduced from the voluminous reports of income and operations. It should always be remembered that the bulk of the revenues are derived from freight rather than passenger traffic. The latter in general has shown a declining tendency in recent years due to the increase in motor transportation, but this while unfortu-

nate is by no means as serious as would be an impairment of freight traffic.

Importance of "Operating Ratio"

Operating expenses consume as a rule anywhere from 60% to 90% of total operating revenues depending upon the varying efficiency and conditions prevailing among different roads. This is known as the operating ratio, a figure which is often pointed to as representing the best index of a railroad's prosperity and the desirability of its securities. Anything below 70% is considered an adequate operating ratio. When it runs towards 90%, leaving only around 10% to cover fixed charges including all bond interest, rentals of leased lines, guaranteed dividends, hire of equipment, taxes, etc., it is obvious that there will be little if any balance remaining for dividends to stockholders. The improvement in the status of railroads in recent years has been reflected in a steady reduction in operating ratios from the high points reached under the abnormal conditions during the war and immediately after.

Operating ratio, however, is of real significance only when analyzed into its component parts and considered in relation to such other factors as total mileage, traffic density, and revenues per mile. There are several classifications that go to make up operating expenses, but for ordinary purposes it is sufficient to concentrate attention upon the two broad divisions of Maintenance Expenses and Transportation Expenses. Maintenance expenditures are subject to the discretion of individual managements to a greater extent than any other class of expenses. Some roads make a practice of charging heavy maintenance in prosperous years and vice versa, so that the figure for any one year is not necessarily a criterion. If large it will bring future returns and in all probability mean larger profits the next year, other things being equal. So much depends upon the density of traffic and the physical layout of the road, however, that what constitutes a large or small appropriation is not always clear. The best procedure is to note the variations over a period of years and compare them with the corresponding changes for the aggregate of all railroads, using as a basis the figure per mile of road in the case of Maintenance of Way, and per unit of equipment per mile run in the case of Maintenance of Equipment.

Transportation Expenses include all non-maintenance charges such as wages, supplies and fuel, and occupy a somewhat intermediate position between Maintenance Expenses and Fixed Charges as regards elasticity. In other words they are obligations which cannot be postponed and which except in a limited way do not vary with volume of business. Being of a similar character, therefore, it is important to know the percentage that the total of Fixed Charges and Transportation Expenses bears to gross revenues in order to ascertain the balance remaining for maintenance and stockholders' equity. A comparison between two roads in this respect often discloses in striking fashion the difference in the merits of the respective stocks. Atchison's figure for last year was 47.6%, while that of Chicago Great Western, with tonnage of a very similar character, was no less than 64.1%.

The capital structure is another im-

(Please turn to page 295)

Market Comparison of Railroad Stocks Listed N. Y. Stock Exchange

	Recent Price	Market Rating	Reasonable Price Anticipation for A and C Ratings Under Present Market Conditions
Atchison, Topeka & Santa Fe	155	A	170-180
Atlanta, Birmingham & Atlantic	1	E	......
Atlantic Coast Line	210	B	......
Baltimore & Ohio	104	A	110-115
Bangor & Aroostook	43	D	......
Canadian Pacific	165	B	......
Central R. R. of New Jersey	280	A	325-350
Chesapeake & Ohio	165	B	......
Chicago & Alton	5	E	......
Chicago & Eastern Illinois	32	C	40-45
Chicago Great Western	9	E	......
Chicago, Milwaukee & Pacific	10	E	......
Chicago & Northwestern	79	C	90-95
Chicago, Rock Island & Pacific	67	C	80-85
Colorado & Southern	89	C	95-100
Delaware & Hudson	172	A	190-200
Delaware, Lackawanna & Western	146	B	......
Erie	38	C	40-45
Great Northern (Pfd.)	79	C	90-95
Gulf, Mobile & Northern	37	C	45-50
Illinois Central	122	A	130-140
Kansas City Southern	42	D	......
Lehigh Valley	89	A	100-110
Louisville & Nashville	130	A	140-150

	Recent Price	Market Rating	Reasonable Price Anticipation for A and C Ratings Under Present Market Conditions
Minneapolis & St. Louis	2	E	......
Missouri, Kansas & Texas	32	D	......
Missouri Pacific	38	C	50-55
New York Central	136	A	150-160
New York, Chicago & St. Louis	193	A	225-235
New York, New Haven & Hartford	42	C	50-55
New York, Ontario & Western	24	C	30-35
Norfolk Southern	37	C	45-50
Norfolk & Western	165	B	......
Northern Pacific	79	C	90-95
Pennsylvania	56	B	......
Pere Marquette	109	A	120-130
Pittsburgh & West Virginia	108	B	......
Reading	87	A	110-120
St. Louis-San Francisco	98	C	105-110
St. Louis Southwestern	63	C	75-80
Seaboard Air Line	32	D	......
Southern Pacific	107	A	120-130
Southern Railway	118	A	130-140
Texas & Pacific	50	C	60-65
Union Pacific	164	A	175-180
Wabash	40	C	50-55
Western Maryland	12	E	......
Western Pacific	34	C	45-50
Wheeling & Lake Erie	26	E	......

A—Possess investment merit with prospect for increase in value. B—Sound road with shares in neutral market position. C—Speculative but with prospects for increase in value. D—Speculative but with shares in neutral position. E—Speculative; shares not recommended.

NOTE: Any difference in valuations between this table and others which have appeared in previous issues are due to changing market conditions. In the main, the estimates tally.

Coming Steel Dividend Action of Utmost Significance to Business

Estimates of "Extra" Run All the Way from $5 Cash to 40% Stock

By E. F. WILSON

SO many of the leading companies in their respective industries have recently declared extras or stock dividends that considerable interest attends the prospect of similar action by U. S. Steel. There are all sorts of rumors prevalent, from a cash $5 extra to a 40% stock dividend. As definite action on the part of the Steel Corporation would not be without its influence on general business, a study of the big concern during the past year and immediate future not only could help to define the chances of extras but might cast light on the entire business prospect.

Production of steel ingots, according to latest reports, was about 40 million tons for the first ten months this year, which compares with 36.3 millions for the same period last year, or an increase of approximately 10%. The corporation's share of this tonnage has reflected a like increase in its own production.

U. S. Steel Corporation Unfilled Orders

	1925		1926
January	5,037,323	January	4,882,739
February	5,284,771	February	4,616,822
March	4,863,564	March	4,379,935
April	4,446,568	April	3,867,976
May	4,049,800	May	3,649,250
June	3,710.458	June	3,478,641
July	3,539,467	July	3,602.522
August	3,512,806	August	3,542,335
September	3,717,297	September	3,593.509
October	4,109,183	October	3,683,661
November	4,581.780	November	....
December	5,033,264	December	....

Prices of Semi-Finished and Finished Steel Products (Pittsburgh)

Semi-Finished Material	Mar. 1925	Nov. 1925	Mar. 1926	Nov. 1926
Sheet bars O. H.	$38.50	$36.00	$36.00	$36.00
Billets O. H.	37.75	35.00	35.00	35.00
Wire rods	48.00	45.00	45.00	45.00
Finished Material				
Steel bars	2.10	2.00	2.00	2.00
Beams	2.10	1.85	1.90	2.00
Tank plates	2.30	1.85	1.90	1.90
Sheets blue anneals No. 10	2.65	2.40	2.50	2.40
Wire nails	2.85	2.65	2.65	2.65
Tin plate per base box	5.50	5.50	5.50	5.50

The high rate of operations is noted in the increased earning power of this year compared with last. Net earnings in the first quarter were $45,061,285, in the second $47,814,105, and $52,626,826 in the third. This corresponds to $3.88; $4.20; and $5 earned per common share respectively, or a total of $13.08 for the first nine months of 1926. This compares with $9.44 in the same period last year.

The third quarter earnings of 1926 represent the largest quarterly income since 1918. Operations were at a high rate, approximately 91% in the first quarter, 87 in the second and 85 in the third. Production in October showed a sagging tendency to 82% and for the first two weeks of November a still further drop to 80%. Recently there has been a slight downward move to less than 80% of capacity.

Present Operations

In view of the unusually heavy summer operations, the normal autumn accumulation of orders has been anticipated to some degree. Last year, for example, summer operations were close to 70% compared with 85% this year. After the low of August, 1925, unfilled orders had increased 600,000 tons by October. This year, the low occurred in June and the increase in October report was only approximately 90,000 tons.

The fact that there was any increase at all is significant in the face of unusual maintenance of high rates of operations. The accompanying comparison of unfilled orders of the Steel Corporation at the end of each month for two years shows a fairly close similarity in trend, with the exception that the real increase in unfilled orders must take place later this year than ordinarily. Last year there was a gain in October of 300,000 tons followed by increases of approximately a half million for November and December. The small increase of 90,000 for October is, therefore, not in harmony with the usual fall increases of other years. Some of this, however, can be traced to the difference in rate of operations, the failure of railroads to purchase as heavily as expected and some small cancellations. On the whole, the unfilled tonnage of October, when these considerations are borne in mind, may be considered favorable.

While the system of purchasing for immediate needs has made for smaller unfilled tonnages, it has given stability to the industry. Hand-to-mouth buying has prevented any large accumulation of stocks, so that a drastic decline under the present regime has been impossible. This contrasts quite favorably with the old order of heavy buying for long future deliveries, large unfilled tonnages on paper, usually subject to very heavy cancellations, and an accompanying sudden drop in operations.

An analysis of fourth quarter prospects should give some indication of earning possibilities. During the past few years demand for steel products by industrial groups has been as follows: railroads 26%; building construction

17; automotive 12; oil, gas, water and mining 8; export 5; agriculture 4; food containers 5; machinery 3; and miscellaneous 20. The first three industries named, normally take about 55% of total steel made so that a decided difference in trend could obtain only in the event that demand from these divisions changed perceptibly.

Drop in Demand

Curtailment in the automobile industry has been reflected in the demand for automotive steels. This has been noticeably so in the sheet, strip and bar industry. A decrease of 10% in recent months represents more than seasonal curtailment. While some of the decline is due to usual falling off in needs, the amount of drop in the past three months indicates a genuine decrease from this source.

The plate, sheet and structural industry as lined up with building construction has also shown a decline in operations. Total structural awards are behind the same period last year, the total to date being 1,250,000 tons compared with 1,500,000.

Last year at this time a real forward move had developed in structural shapes. Some of the present slump may be accounted for by the seasonal let up. Wire needs are still small, the industry as a whole operating between 50 and 65%. Nail requirements, wire fencing and wire products have felt the sag in building work and have been affected by unseasonal weather. No decided change is expected here in the near future.

The bar industry still operates at about 80%, and indications point for this rate or barely lower in spite of the drop in bar needs by the automobile industry. Pipes and allied products remain strong, operations being around 90%. Deliveries are a little easier in some sizes but the present rate of production is expected to carry on well into next year.

While the sheet industry has fallen off about 10%, tinplate production still remains well over 90%, and should remain strong well into 1927. The plate industry is operating at a fair pace, recent bookings approximating the October rate. For the industry, car awards for the first ten months of 1926 were 47,460 which corresponds closely with 48,540, same period last year. Railroad needs, excepting plates for cars already mentioned, are now showing some improvement. Rails and track accessories demands indicate a fairly strong tone in the near future. How far this will go to offset the decline in demand of other industries is problematical. It is significant that railroads have carried on during periods of heavy traffic without any marked shortage in rolling stock.

Demand from agricultural sources has been weak and promises no immediate improvement. The cotton situation in the South and the price status of farm products in the West have not been conducive to heavy purchases of agricultural implements. Finally, the export situation has not changed perceptibly nor does it seem likely to do so in the near future.

Prospect For a Decline

Summing up, there are indications that demand for steel products in the automotive industry, building and agriculture, are easing off slightly with no signs of improvement in the near future. Rail needs are stronger, with the can industry, pipe and general manufacturing unchanged. Were rail demand as strong as in years past the decrease in some lines could be cancelled and steel buying probably pick up slightly. General indications, are, however, that the industry will continue to fall off but not to any marked degree. The steel for railroad requirements is almost but not as large as the combined needs for structural and automotive purposes. It therefore seems logical to expect a slight decrease in operations in the near future.

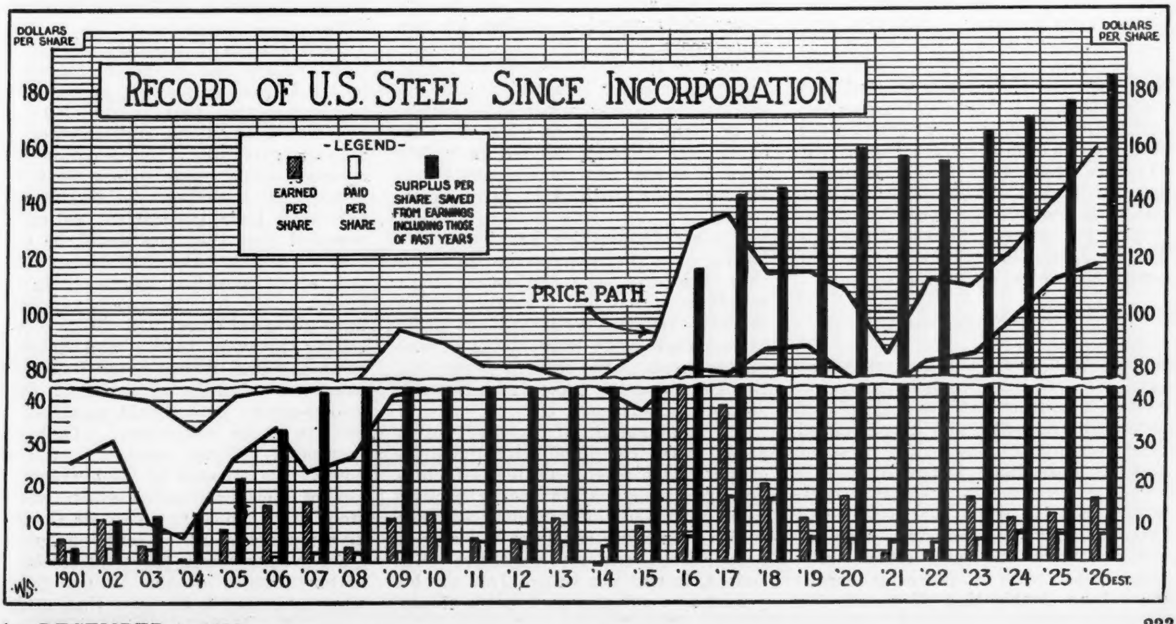
Operations of the U. S. Steel Corp. are understood to have been about 83% in October and approximately 81% at present. For the balance of the year with consideration of holiday shutdowns, it appears that production will run somewhat under 80%, which should give an operating rate of approximately 80% for the last quarter. This is practically the same as last year's fourth quarter, the difference being that in 1925 production was ascending while this year the trend is slightly downward.

Increased Economies

The high point this year was the first quarter with a gradual drop in each succeeding period. U. S. Steel's earnings on the contrary rose from $3.88 a share in the first quarter to $4.20 in the second and $5 in the third. *The contrast in earning power and operating rates can be accounted for by increased economies, lower operating costs and the revenue from carriers whose main income is during the latter part of the second quarter and through the third.* No great difference in price of products has resulted. A few products show higher prices for November, 1926, as compared to March same year but as a whole prices have been reasonably steady. Compared with last year, prices as a whole are lower in 1926 particularly if the early part of 1925 is reckoned.

The increased profits resulting from physical improvements and lower operating costs can best be noted by a comparison of the first quarter 1926 with that of 1925. In both cases rate of operations are understood to be fairly similar, yet the net return this year was 47 millions compared with 42 millions last year. The final quarter 1925 showed slightly better than 80% operations. This year the fourth

(*Please turn to page* 277)



Calling the Turn on the Cotton Mills

By
Warren Beecher

Lower Cotton Improves Prospects of Textile Manufacturer—an Opportunity for Far-Seeing Investors

THE term cotton textiles offers many connotations. To the tobacco grower it suggests the yardage necessary to protect his crop, to the mechanic it means overalls, the camper points to his tent and the seaman to tarpaulins, the shoe manufacturer thinks of his linings while the tire and rubber industry is concerned with fabric and cordage. The rest of us consider cotton goods as sheets, pillow cases and dress materials; while the true magnitude and diversity of the cotton manufacturing industry is generally unappreciated. The investor is no exception. Securities of cotton mills have been rather largely neglected, and while this attitude has been more or less justified by the depression to which the industry has been subjected, the current situation presages sufficient improvement, due to the lower levels of raw cotton, to indicate the necessity of adjusting the general opinion of the outlook for this industry to meet the new conditions which have arisen.

Over-Production

There are two basic factors which have impaired the prosperity of cotton goods manufacture: over-developed productive capacity and the so-called hand-to-mouth buying. The first of these is a heritage bestowed on this industry in common with many others, which finds its origin in the war and post-war period of industrial stimulation. Sixteen thousand cotton mills exist today with a potential output more than double that of twenty-five years ago. Moreover, when it is considered that at least a thousand distinct ownerships are represented, it is obvious that the possibilities for consolidation which would decrease the number of rival organizations are not impressive. Competition has naturally been predominant with generally narrow profit margins.

Growing out of this situation and augmented by rapid freight transportation, hand-to-mouth buying on the part of the goods consumer has become increasingly prevalent during the past three years. The dry goods merchant as well as the manufacturer no longer finds it necessary to anticipate his requirements to any appreciable extent. With many mills from which to purchase and delivery insured in a few days, it is not only unnecessary but it becomes poor business to carry heavy stocks.

While this practice has imposed a hardship on mill operators to which they are only now adjusting their schedules, it has had a salutary effect in the sense that mills are not likely to be caught with huge stocks of materials in which the style or design has changed so as to make them movable only at a sacrifice.

An examination of average cotton goods prices compared with the price of raw cotton reveals an unsatisfactory manufacturing margin dating back to early 1922, and corresponding with the record of meager earnings or losses of many of the most representative mills. Indeed, it was not before July of this year that a rift appeared in the clouds. Concomitant with an improvement in the whole field of textiles, a lowering of raw cotton markets began slowly to better the manufacturing margin. An expansion of trade set in, and late August commenced to witness an appreciation in values in both Northern and Southern mill securities. Turning to conditions in the trade, it is significant that sales exceeded aggregate mill outturn by 48%, unfilled orders were 91% over those of July first, while stocks of goods in mill hands decreased 23%.

Even though it was not realized at this juncture that the cotton crop would be the largest in history, it was commonly accepted that it would be of generous proportions, supplemented by a heavy carryover. Cheap cotton was assured, while goods prices were not perceptibly disturbed. In fact it was not until later government estimates revealed that the crop would be well over 17 million bales that cotton products began to adjust themselves to the lowest levels for the raw staple that have prevailed since 1921. With cotton selling between twelve and thirteen cents a pound, it was natural that the eagerness of mills to maintain their sold-to-arrive lists should manifest itself in price reductions. That the movement did not reach an extreme, however, is attested by the average index of American cotton goods, which stood at 12.285 cents a yard on October 29 compared to 12.454 cents on July 2. On November first, the total stocks of cotton textiles in the United States were estimated to be lower than at any

time in the past five years, amounting to less than a month's shipment, whereas unfilled orders increased 44% over the previous month's production.

In the face of this situation, it is further reported that stocks of raw cotton at the mills are small. Apparently, mill operators expect still lower prices and are desirous of purchasing at rock bottom, perhaps to offset losses on contracts made when cotton was at higher levels. While this may appear reasonable, if the same policy is pursued by all operators, it contains an element of danger in that any definite upward movement in raw prices may precipitate a buying scramble with an acceleration in raw values too rapid for the comfort of those uncovered. However, the purchase of cotton at the most economic level is one of the most, if not the most, important single factor in successful mill operation, and, broadly speaking, the sagacity of the manufacturers can be relied upon.

North and South Mills

Although the mills in both the North and South are affected by the same general tendencies, the situation in the two sections is not entirely analogous. The inventory position of Northern mills is currently reported slightly more favorable, whereas their full recovery in earning power will probably be somewhat slower than mills in the South. These circumstances are already reflected in the higher values in Southern mill securities. New England, particularly Massachusetts, is hampered by legislation restricting the hours of labor as well as by a higher wage scale. Moreover, as this section is, so to speak, the cradle of the textile industry, as might be expected, many of its mills are equipped with cumbersome and antiquated machinery, which, in view of prolonged depression has not been improved or replaced. In consequence of these conditions operating costs in New England mills are slightly higher than among their Southern competitors. While this is to some extent offset by the fact that the bulk of production is in fine goods, commanding a slightly better margin than the heavy materials produced in the South, it accounts in no small measure for the gradual migration of the industry southward. At present the industry, on a spindle basis is about evenly divided between the two sections. Southern mills will doubtless be confronted with an impaired local market for at least a year, in that the decrease in the cotton growers' revenue will materially alter the purchasing power of the Southern states, although compensation is offered in the broader aspects of markets elsewhere.

In the past few years much has been said of the decline in consumption of cotton for dress material, more particularly bleached goods. Women are said to have deserted cotton for silk or rayon. The passing of the white underskirt is cited as a case in point. However this may be, the fact of the matter is that the bleacheries of the country have processed and sold a greater yardage in the past year than ever before. Never have print mills made larger outturn nor sheeting manufacturers greater production. Cotton remains the great textile staple and fears of encroachment on its domains are dissipated by the light of actual record.

Position of Mill Securities

Considering the mill situation from all angles the position of cotton goods manufacturers shows unmistakable improvement. The statistical position of stocks is sound; unfilled order volume warrants a current production close to 90% capacity; the abundance of cotton grown in two consecutive seasons will ultimately alleviate much of the instability in goods prices of recent years; and finally, while the price level of manufactured cotton products is low, the raw market is such as to permit a working margin of more attractive dimensions than in many seasons. These are the considerations to which the investor may turn his attention. In weighing them, however, it must be noted that while present conditions are improved and prospects encouraging, no immediate reflection can generally be expected in earning statements. What attractive features exist in mill securities lie almost entirely in the fact that the industry faces a turn, with the goal in sight but not yet achieved. Investment at this time must be made with the idea of capitalizing the turn at its inception and founded on patience. Indeed the slight decline in New England and Southern issues from the high levels of August and September is largely attributable to the impatience of the small investor and his narrow view of the precipitous drop in cotton.

It is undeniable that some mills will incur inventory losses, particularly those whose fiscal year obliges the closing of the books at this time of lowest raw values. Others may be forced to take delivery on contracts made at prices deemed high by current standards, but the outstanding fact remains that the great mass of mill interests are in a position to profit at prevailing and prospective cotton prices.

Cotton Mill Stocks in Advantageous Position

Issue	Price	Dividend	Yield %	COMMENT	Issue	Price	Dividend	Yield %	COMMENT
Pepperell Mills	120	$8	6.67	Recent merger with Massachusetts Cotton should prove very advantageous. Company has been doing a large and profitable business and new merger gives it volume it needs.	City Manufacturing..	99	$6.50	6.56	High-grade producer whose earnings stability is noted, and whose present position is satisfactory. An investment stock with slight appreciation possibilities.
Naumkeag Steam Cotton ...	150	12	8.00	Steady earner, whose prospects for continued prosperity appear warranted. Yield attractive, but appreciation possibilities less than Pepperell.	Flint Mills	85	5	5.87	Fall River stock whose present showing is exceptional as to assets, earnings and business policy. Same possibilities as Bourne, though less speculative. Naturally, potential appreciation is less.
Dartmouth Mfg.	100	8	8.00	Recent strike over trivial administrative ruling has depressed these shares well below intrinsic value. High quality producer whose market position remains important.	Rosemary Mfg.	100	7.50	7.50	North Carolina producer of table cloths, damasks, napkins, etc. Preferred and funded debt of 2.6 millions. Preferred in best possible position at this juncture.
Bourne Mills	75	7	9.33	Recent statement shows good earnings, large surplus and conservative inventories. Appears to have been undervalued in general marking down of Fall River and New Bedford stocks.	West Point.	138	8	5.79	Georgia producer that has made a fortune for its investors in the past. Present position not only satisfactory but exceptional.

Note: Markets Primarily in New Bedford, Fall River, Boston and Spartanburg, S. C.

Twelve Attractive Common Stocks Approaching Dividend Basis

Issue	Earned $ per Share 1923	1924	1925	Estimated 1926	Working Capital (Millions of Dollars)	Recent Price	% Earned on Market Price	COMMENTS
Amer. Machine & Fdy	$6.65*	$1.88*	$5.45*	6.0	$4.39	72	8.3	Enjoys virtual monopoly in manufacture of cigarette and cigar making machines. Does considerable foreign business in addition to domestic. Also produces, under contract, variety of high-grade machines for paper, printing, lithographing and electrical industries. Income of International Cigar Machinery Co., a subsidiary, not included in company's own reports, constitutes backlog of undistributed equities. Speculative issue worth watching for opportunity to purchase in reactionary market in view of long-range dividend possibilities.
Bloomingdale Bros	3.24j	2.83j	3.76j	n.f.	8.07	33	...	Old and solidly established enterprise whose history closely parallels that of other successful New York City department stores. Shares offered for public participation in March, 1926. Free of funded debt; comfortable financial position. While net profits have not fully kept pace with expansion in sales in past three years, average results good and earning power well rounded. Common should eventually be established on dividend basis and seems out of line with stocks of similar character.
Brunswick-Balke-Coll	4.52	4.94	def.	4.0	19.68	36	12.2	Billiard table and bowling alley manufacturer which subsequently branched out into phonograph and more recently into radio industries. Earnings have reflected vicissitudes of latter lines, but are again showing distinct tendency to recover. Has valuable patents, including "Panatrope," and extensive dealer organization. Radio and phonograph affiliations tend to give stock distinct speculative quality, but issue has considerable fundamental strength and is fairly attractive as a long-range speculation.
Bush Terminal	1.81	1.51	5.38	5.5	0.42	27	20.4	Operates extensive system of piers and warehouses on Brooklyn waterfront. Also owns all common stock of Bush Terminal Buildings Co. and Bush Building in heart of uptown New York. Earnings relatively immune from depressionary business influences and show consistent upward tendency. Present common shares, result of recapitalization in May, 1925, seem in line for dividends in not too remote future. Attractive speculation for patient buyer.
Byers (A. M.) Co	7.22s	4.04s	4.83s	7.0	6.09	43	16.3	Earning capacity variable, but on the whole, quite satisfactory, comparing well with average iron and steel company showing. Occupies strong trade position as indicated by fact that it does practically 50% of the wrought iron pipe business in the United States. Speculative issue that has attracted less attention than its current earnings seem to warrant.
Congoleum-Nairn	4.69	3.81	2.23	n.f.	13.99	20	...	Has been adjusting operations to new conditions which forced suspension of dividends early this year. Appears to be making progress toward recovery and, with some changes in management, is apparently building on firmer foundation with view to future. Has introduced new products and effected operating economies in answer to keener competition. Essentially a long-pull speculation but one that has merit and should eventually be restored to dividend basis.
Mid-Continent Pete	def.	0.70	4.82	5.5	24.03	31	17.7	Independent mid-continent oil producer, refiner and distributer, revitalized by recapitalization and acquisition of new funds in 1925 and by improvement in the industry generally. Conservation of earnings, which have enhanced materially since 1924, has placed company in very strong financial position and paves way for ultimate resumption of common dividends.
Minn., St. P. & S. S. Marie Pfd.	9.85	6.70	14.00	10.0	2.32	58	17.2	A Canadian Pacific affiliation that has turned the corner with other "northwestern" carriers. By virtue of better grip on operating costs, road has been able to save larger amount of its increased gross revenues and while recovery is not especially marked, sufficient progress is being made to justify expectations that the preferred shares are gradually approaching return to income basis. Attractive as long-pull speculation.
Missouri Pacific Pfd	0.17	9.06	10.65	14.0	10.83	89	15.7	Dominant factor and starting point for new and greater Missouri Pacific system. Acquisitions in recent times have resulted in striking metamorphosis. Financial condition materially improved by virtue of enhanced earning power. Potentialities in undistributed earnings of controlled companies add to speculative flavor in preferred shares which are approaching real dividend possibilities. Accumulation of 41% back divs. heightens speculative attraction.
Remington Tyepwriter	8.39	9.46	16.16	18	10.87	105	17.1	Seems rapidly gaining dominant position in its industry. Aggressive management and strong policy are revealed in remarkable earnings expansion during recent years. Acquisition of Noiseless Typewriter has proven profitable. In position where dividends for common could readily be paid and are evidently merely question of time. Stock moves rather widely, but in reactionary market should prove acceptable purchase for long pull.
St. Louis Southwestern	14.71	8.38	8.47	8.5	4.34	62	13.7	Controlled by Missouri-Kansas-Texas which, in turn, is controlled by Kansas City Southern, these three roads being grouped ostensibly to form so-called "Loree System" in southwest. Earnings in recent years would readily support dividend, but payments may be further delayed owing to minority opposition to merger plan. Nevertheless, stock has possibilities of long-pull variety.
Texas & Pacific	5.68	6.87	6.77	7.0	7.12	49	14.3	One of important links in new Missouri Pacific system. Latter road owns all of Texas Pacific's preferred and more than one-fourth its common stock. Has well balanced capital structure. Traffic well diversified, though condition of agriculture in its territory plays considerable part in shaping trend of earnings. Dividend possibilities largely of the longer range variety, but stock has good prospects on this score.

n.f. No data. * Does not include proportionate interest in profits of subsidiaries not paid out as dividends, which amounted to $0.26 a share in 1923, $0.53 in 1924, and $4.38 in 1925.
j Years ended January 31, 1924, 1925, 1926. s Years ended September 30.

Warner Brothers Present the Vitaphone

A Cold-Blooded Study of a Hysterical Market

By HARLEY D. CRITTENDEN

WARNER BROTHERS stock, both the "A" listed on the New York Stock Exchange and the "B" listed on the New York Curb Market, have afforded the best market fireworks of the year. From a low of 12, and a market value of $2,400,000 the "A" shares ran up to 69 with a market value of $13,800,000, all in three months. The "B" ran up from a low of 8 to 65, or from a market value of $2,800,000 to one of $22,800,000. The company has accordingly been valued at $36,600,000 by the market. Since that time, optimism has flagged somewhat and the "A" is quoted at 48, and the "B" at 37, a total market value of $22,500,000.

When all is said and done, the cause of this market sensation was the acquiring by Warner Brothers of a controlling interest in the Vitaphone Corporation. Warner had shown an operating loss prior to the rise in its stock, and while it had done many things, such as acquisition of Vitagraph Co., to better its status, all of these factors together would not have greatly improved its quotations.

Vitaphone is a synchronizing device, whereby as pictures are projected upon the screen, their vocal utterances, or instrumental accompaniments, are heard simultaneously. In this way an illusion of greater reality is given to the "Movies," hitherto the Silent Swan among the Arts. Synchronizing devices are not new but it appears that the older "talking movies" were not nearly so adequate. Furthermore, the older devices did not possess the new "electrical reproduction," popularly so termed, which reproduces recorded sound with a fullness and beauty not hitherto dreamed of. These two merits —more effective synchronization and exceptional beauty of reproduction—have set the movie world agog.

It also stunned spectators, and therefore, a little later, the stock market. Warner Brothers appeared to hold the key to the future movies, and a 70% interest in Vitaphone Corp. was valued by the market at over 31 millions, the difference between Warner stock high and low. That is, prospects *only* of the Vitaphone were valued at $45,000,000. What was the market buying? Warner Brothers have a 70% interest in Vitaphone and an option on 20%. Vitaphone is merely the exclusive licensee of the device, from the Western Electric Company. It does not appear that the device is patented or patentable, in a broad sense. The reproduction, while similar to that contributed by Western Electric to the phonograph, is not very dissimilar from that which General Electric, Radio Corporation and Westinghouse developed in the same field. Synchronization is not in and of itself a marvelous feat. It appears, then, that Warner has an interest in Vitaphone Corp., which leases its device, or buys its device from Western Electric, and that Western Electric has much that is meritorious, but nothing whose uses are not somewhere met competitively.

ONE of the sensations of 1926 in the stock market was the hectic rise of Warner Brothers Pictures capital stock. This market advance arose from the control of a new "talking movies" device. The possibilities of this invention, as a source of profit, are examined critically for the first time in the accompanying article.

In fact, Dr. Lee de Forest, the famed radio inventor, had previously brought out the "Phonofilm," a device in many respects more satisfying than the Vitaphone. His sound waves were projected on the screen, as the picture was taken, and released as the picture was projected. It is in every way a better synchronizer, and a less complex machine than Vitaphone. It requires less expert labor, and is much less costly. But it has two defects. Its recording of sound is rather similar to that of the older phonograph, before the Panatrope, Orthophonic and Viva-tonal machines were brought out, and its amplification is considerably inferior to that of Vitaphone.

Hence it appears that "Phonofilm" is superior to "Vitaphone" in some very important economic and physical attributes, and that "Vitaphone" is superior to "Phonofilm" in other attributes. *Both have considerable defects.*

Last of all it is admitted by scientists interested in the matter, that tomorrow a new device could, in the present state of the art, arise, say in Germany, and there would be no patent situation to say it nay. Only on the specific principles involved in the Phonofilm is a patent situation basic. Hence Fox Film is understood to have had an option on De Forest phonofilm stock, or to have acquired a large holding to meet Warner Bros. competition. Also, General Electric through Radio Corporation seems to have perfected a device that ought to supplement Phonofilm with the recording and amplification merits it lacks. Fox Film is said also to be interested therein. Not that this constitutes an inducement to buy Fox Film "A" or De Forest Phonofilm stocks. There is too much conjecture and too little knowledge in the business, for any outsider to make too many assumptions.

Amid a welter of rumors concerning this and that, few facts emerge. Vitaphone has had a terrific success wherever shown. True! But it is a novelty. It is not actively in competition with a well-financed and distributed competitor. It is as yet cake, and not daily bread. From the *furore* of a novelty showing to steady economic revenues is a wide gap. There is talk of negotiations with other producers for Vitaphone installations. But by far the greatest amount of such distribution is at the mercy of larger companies. Upon what terms they will accept either Vitaphone or any competitive device, cannot be measured until the contracts are known. They may allow a great profit to Vitaphone Corp. They may merely allow a small royalty.

Undoubtedly theatres in smaller cities and country villages could duplicate the musical effects of great urban centres with these devices. Whether the cost of Vitaphone would make their purchase or lease economical for such theatres is as yet undetermined. The possibilities are great, but they are mere deductions. It must not also be forgotten that the "Movie" hitherto has been based on silence, plus musical accompaniment. A demand for "talking movies" would change the very character of the entertainment. Sub-titles would not be needed. Continuity writ-

(Please turn to page 291)

Four Great Stock Exchanges Offer Their Wares

Montreal, Chicago, Boston and San Francisco Claim Investors' Attention—Many Other Exchanges Primary Markets for Good Securities.

By SIDNEY BARRINGTON

THIS is the Third and last of a series of articles covering various Stock Exchanges, other than the N. Y. Stock Exchange. The first article on the N. Y. Curb Market was published in the Oct. 9 issue and the second on the over-the-counter market was published in the Oct. 23 issue.

NEW YORK CITY, whether in Stock Exchange, Curb or its multitude of unlisted securities, is far and away the principal securities market of America. The glamor of its market, however, has diverted the attention of investors from the great and growing outside exchanges. These exchanges are not only markets for local securities, as many believe, but they often list large issues of companies whose operations do not centre in their vicinity. The aggressive exchanges, such as Cincinnati and Cleveland, Pittsburgh and Baltimore, are types of such markets. Smaller exchanges are of necessity more local. Providence, Hartford, Washington, Los Angeles, inevitably tend to emphasize securities whose values are intimately known within these cities. Apart from "curbs" and mining exchanges, there are about twenty important securities exchanges in the United States, outside of those in New York. It is impracticable to review all of these interesting markets, so that attention must be cited on four powerful and representative exchanges. The scope and conservatism of these bodies needs to be known to the investor, so that when the New York Stock Exchange is in the doldrums he may not pass by the many opportunities these great markets offer him.

MONTREAL STOCK EXCHANGE The Montreal Stock Exchange proudly claims pride of place after that of New York. Securities listed are either Canadian, or under Canadian auspices. As such it is a primary market for securities of the entire Dominion. There are other exchanges in Canada, such as those at Toronto and Winnipeg, but Montreal definitely outranks them.

The Montreal Stock Exchange was founded in 1874. It is restricted to 85 members, and has about 72. Members must be British subjects. Character requirements are rigorous and blackballing quite easy, thus assuring continuity of tradition. Members must prove solvency every six months. Certificates of solvency can only be issued by chartered accountants.

Listing committees are known for their careful work—for example, complete details as to every consideration in mergers must be revealed before new shares are listed. Listed companies must file financial statements annually. Dividend and meeting notice requirements are similar to those of the New York Stock Exchange. Transfer, registration and engraving requirements are also similar. A daily transactions list is published.

The unit of trading is 25 shares, as against 10 in London and 100 in New York (except for inactive securities). Bond unit is $1,000. Commission rates are: 6¼ cents per share where stock is quoted at $5 or less; 12½ cents on those over $5 but less than $10, and 30 cents on all others, with 30 cents for each $100. This does not hold for mining stocks.

Apart from Canadian Pacific, whose primary market is in New York, listed stocks alone on the Montreal Board surpass one billion in par values. Additionally, bank stocks have a market value of about 250 millions. The bond market, apart from Dominion bonds, is as yet young. Still, about a quarter of a billion is listed. Obviously, a market that represents all of the important securities of Canada, and many of its promotions abroad must receive attention from the critical investor.

CHICAGO STOCK EXCHANGE Chicago, as is appropriate for the second city in the nation, houses the second Stock Exchange in the United States. In 1925, trading surpassed 14 million shares. Bond trading is comparatively small, perhaps 8 millions, par value. Nevertheless, the listing of 163 millions in new bond issues in 1924 and 1925 ought to assist in expanding bond volume.

After recommendation by the membership committee, applicant must be approved by a majority of the governing committee, and at least three quarters of that committee present at the meeting to consider such application for membership. Powers of the governing committee over members is at least as great as in the New York Stock Exchange, and the list of penalized offenses, if possible, still greater. Partnerships may be revoked by this committee.

Commissions on stocks selling for less than $10 per share but more than $1 are: 7½ cents; $10 to under $125, 15 cents per share; $125 and up, 20 cents. Minimum commission $2, except upon stocks selling from $1 to under $10, where it is only $1.

Many excellent rules have been promulgated for the protection of clients. No agreement between client and broker allowing the pledge or loan of pledged securities can permit the broker to pledge or loan more of these securities than is reasonable in view of the obligations of customer to broker. No general agreement whatever can permit the broker to use securities carried for the customers for delivery on the broker's account or that of his firm. Firms carrying margin accounts must supply a statement of financial condition to the committee on publicity and business conduct, upon demand. Reports are to be attested by auditors.

BOSTON STOCK EXCHANGE Boston houses an old and conservative exchange, whose personnel includes some of the most widely known houses in the country. It is especially known for its questionnaires addressed to those seeking to list stocks upon the exchange. These questionnaires are so framed as to elicit just those concealments that are ordinarily employed. With respect to mining stocks, with which Boston has been identified, technical questions of the most exacting order are given. Naturally, transfer, registrar and engraving requirements are of the strictest. In all standard practice, the Boston Stock Exchange is not surpassed by any in the country.

Commissions are on a graduated scale: on stocks selling below $200 and

at $100, 25 cents per share; $100-75, 20 cents; $75-50, 17½ cents; $50-25, 15 cents; $25-10, 12½ cents; $10-1, 7½ cents; below $1, with minimum charge of $1, 1½ cents. On odd lot transactions involving less than $15 all told, commission is, however, optional.

Boston Stock Exchange is a primary market for well known securities. Boston & Maine, Maine Central, Boston & Albany and other New England rails, New England utilities, mill stocks, and above all mining stocks; among them some of the very best known, enjoy their most active market in Boston. Its bond trading is important and embraces a wide scope. Listed securities run into billions par value.

SAN FRANCISCO STOCK and BOND EXCHANGE As might be expected, the Pacific Coast furnishes an instance of brilliant development in a local exchange. The coast and mountain west, in many respects display the economies of a separate country. The head and front of securities trading in this area is the San Francisco Stock & Bond Exchange. There are other western exchanges, but they are not nearly so important as is this great and growing exchange.

Organized in 1882, for many years it had minor importance. For example: in the three years, 1913-4-5, only 378,000 shares changed hands with a value of under 17 millions. In 1921, transactions were 1,600,000 shares valued at 35 millions, in 1926 (year ending September 30), transactions were 9,702,000 shares valued at 412 millions. Bond trading was minor, only about 16 millions. Transactions of 427 millions stamp San Francisco as a great securities market, which no investor can afford to overlook. There are listed 92 bonds, and 192 separate stock issues, or 221 in all.

San Francisco is an important market for oil securities. These constitute about two-thirds of all transactions, Industrial securities, primarily in Pacific Coast ventures, Hawaiian sugars, public utilities and bank shares constitute the remainder.

The Stock Exchange has adopted the specialist plan of trading with eleven specialist posts. Specialists are not allowed to trade in their specialty for their own account. An Institute of Finance is maintained in connection with the Stock Exchange. Listing applications are supervised, and annual reports required, etc. The unlisted department of the Stock Exchange, however, is, of course, not subject to such provisions.

Commission rates for stocks are: for under $1 per share 1% of money involved, minimum, $2.50; $1-2, $2 per 100 shares; $2-5, $4 per 100 shares; $5-10, $12.50 per 100 shares, and for $10-100 (the most important category), $22.50 per 100 shares. Above that rates increase, although not in proportion.

The practically economic autonomy of the Pacific Coast make the future development of the Stock Exchange a certainty.

Representative Securities on Four Exchanges

Montreal Stock Exchange

Issue	Price	Dividend	Yield %
Abitibi P. & P. Preferred.....	111	$7	6.30
Canada Cement Preferred	115	7	6.08
Spanish River P. & P.	105	7	6.66
Lake of the Woods Milling ...	150	12	8.00
Bank of Nova Scotia	290	16	5.51

Chicago Stock Exchange

Issue	Price	Dividend	Yield %
Diamond Match	116	8	6.89
Pub. Serv. of No. Ill. Pf.	100	6	6.00
Quaker Oats Preferred	106	6	5.66
Chicago Fuse Mfg.	32	2.50	7.81
Chic., North Shore & Mil.	40	..	...

Boston Stock Exchange

Issue	Price	Dividend	Yield %
Boston & Maine	53	..	...
Boston & Albany	174	8.75	5.02
Island Creek Coal	190	17 A	8.94A
Edison El. Illuminating	222	12	5.40
Bigelow-Hartford, Preferred ..	98	6	6.11

San Francisco Stock and Bond Exchange

Issue	Price	Dividend	Yield %
Bancitaly Corp.	84	9	10.71
Oahu Sugar	32	1.80	5.62
Paraffine Co.	104	6	5.76
Los Ang. Gas & Elec. Pfd.	99	6	6.06
Pac. Tel. & Tel. Pfd.	103	6	5.83

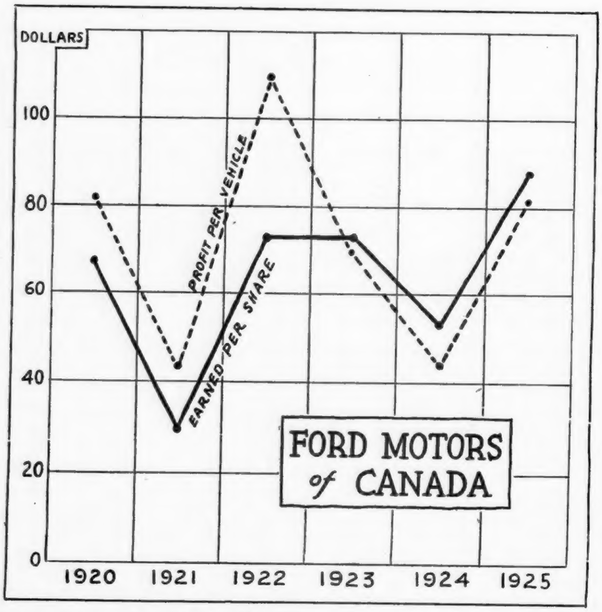
A—1926 dividends declared. Rate irregular.

Should Ford of Canada Be Bought Now After a 300-Point Drop?

Sold at 655 This Year, Now 330

By WALTER G. HORNER

THE collapse of a "rich man's" stock always arouses a high degree of interest among investors. While there are occasions when a sudden burst of prosperity will carry a stock into the upper hundreds, such issues for the most part are those of companies with a long record of highly profitable operations behind them. Then again, inordinately high-priced stocks attract a greater amount of attention than formerly, due to their comparative scarcity as a result of the modern propensity to create smaller share units through split-ups and stock dividends.



Particular interest has been manifested in Ford Motor Co. of Canada because of the fact that it is the only one of the Ford enterprises with a public participation of ownership. The shares have never been listed on the New York Stock Exchange. The market is on the New York Curb and the Detroit and Toronto Stock Exchanges. A peak price of 655 was attained during the current year, from which point there has been a more or less continuous drop of over $300 a share. The decline has been on a very moderate volume of transactions which could hardly be otherwise considering the small floating supply of stock. There is a total of only 70,000 shares outstanding and a considerable portion of this is believed to be held by Ford interests.

The company dates back to 1904. It was organized for the purpose of taking over the exclusive manufacturing and selling rights on the various Ford automotive products throughout the British Empire with the exception of England, Scotland and Ireland. In consideration of certain stock given to Ford Motor Co. of Detroit, the Canadian company was granted the perpetual privilege of using all improvements and devices on the Ford car with no cost to itself.

The present capitalization of 7 millions, consisting of common capital stock exclusively, compares with a plant value of over 22 millions, a surplus of 24 millions, and net tangible assets of nearly 32 millions. Moderate as the capitalization is, it has been built up from an original figure at time of organization of $125,000 entirely through the agency of stock dividends. The extent to which these distributions have not kept pace with increases in assets and earning power represents approximately the extent to which the company is undercapitalized, and accounts of course for the high level of market prices for the shares.

The tremendous growth in the output of Ford Motor of Canada is a partial index of the great increase in consumption of the Ford car in foreign fields. A peak production of 79,807 cars in the 1924 fiscal year compares with only 1,280 cars in 1910. The remarkable feature, however, is that no financing whatever has been necessary to meet expansion. The company is an outstanding example of what can be accomplished through a steadfast policy of reinvestment of the major portion of the earnings in the business.

The uppermost question which arises in connection with the 300-point break in the stock is whether the causes leading up to it are transitory or fundamental. In other words, is there a potential profit of 100% or thereabouts in the shares at present levels or have new conditions appeared which will make it improbable that the old level of earnings ranging from $50 to $90 per share per annum can be repeated in future? It will be three or four months yet before the operating results for 1926 are officially made known.

The major impulse to the decline was furnished by the unexpected reduction by the Canadian government in April last of the tariff on cars selling below $1,200 from 35% to 20%. The protective tariff has been a material factor in the development of the business to its present proportions. It has been customary to maintain a differential between the price of the Detroit Ford and the Canadian Ford approximately equivalent to the tariff on the former. The slash in the tariff naturally entails a reduction in the differential, otherwise it would be possible for the purchaser to import the identical product from the United States on more favorable terms than through the usual channels. Here is a source of a lowered margin of profit entirely apart from the potential results of opening up extensive competition by manufacturers of other low-priced cars in this country. There is still some protection for the Canadian product so that the competition of this character should be less intense than that which the American Ford has had to face, but at the same time there has been a marked increase in recent months of imports of completely built motor cars to Canada, and there is no doubt that the position of the automobile export trade in the United States has been materially strengthened by the action of the Canadian government in letting down the tariff bars.

A general reduction in prices on all models was put into effect shortly after the alteration in the tariff laws. While the margin of profit is further decreased by this move, a situation appears to confront the company

(*Please turn to page* 280)

Industrial *Public Utility* *Oil* *Mining*

Investors' Indicator

Current Earnings—Dividends—Working Capital

Industrials—	Dollars Earned per Share 1925	1st Quarter 1926	1st 6 Months 1926	3rd Quarter 1926	Present Div. Rate ($)	Recent Price	Yield (%)	† Ratio of Current Assets to Current Liabilities
Air Reduction	10.02	3.13	6.56	v3.20	¶5	139	3.6	10¾ to 1
Ajax Rubber	2.01	...	0.15	...	..	8	..	4 to 1
Allis-Chalmers	8.78	2.09	4.18	2.47	6	87	6.9	7 to 1
Amer. Bosch	2.41	0.67	1.17	0.50	..	17	..	2⅓ to 1
Amer. Hide & L. Pfd.	4.59	0.01	nil	def.	..	44	..	2½ to 1
Amer. La France	1.59	0.29	0.59	0.28	1	12	8.3	3 to 1
Amer. Locomotive	def.	...	3.10	...	8	109	7.3	16½ to 1
Amer. Steel Found.	*4.48	1.31	2.89	0.98	3	44	6.8	6¾ to 1
Beth. Steel	5.30	2.66	4.36	1.57	..	44	..	5 to 1
Butterick	3.33	...	...	...	¶2	54	3.7	2¼ to 1
Central Leather Pfd.	4.39	0.37	def.	0.91	..	53	..	19½ to 1
Cluett, Peabody	8.58	...	3.78	...	5	63	7.9	15¼ to 1
Coca-Cola	14.47	3.31	9.31	v6.86	7	166	4.2	12¾ to 1
Colo. Fuel & Iron	4.65	3.15	5.06	def.	..	41	..	3 to 1
Corn Products	2.29	0.90	1.80	1.88	¶2	49	4.1	10¾ to 1
du Pont (E. I.)	c14.97	...	z14.51	z9.21	¶7	167	4.2	6¾ to 1
Endicott-Johnson	8.47	...	3.07	...	5	68	7.4	2½ to 1
Famous Players	d18.39	3.82	...	...	¶8	117	6.8	e3 to 1
Gen. Motors	19.15	7.50	y17.33	6.22	¶7	139	5.0	2⅝ to 1
Goodrich, B. F.	17.33	...	0.11	...	4	46	8.7	3½ to 1
Goodyear Tire & Rub.	9.44	...	1.43	...	..	30	..	6⅓ to 1
Gulf States Steel	f7.19	1.77	2.77	0.90	5	57	8.8	5⅝ to 1
Hayes Wheel	3.02	0.60	1.22	...	¶3	25	12.0	5⅛ to 1
Hudson Motor	t16.07	2.06	4.55	1.20	3½	45	8.1	‡‡2⅔ to 1
Lee Rubber & Tire	1.39	...	def.	...	..	7	..	1¾ to 1
Mack Truck	g13.92	3.32	7.80	1.78	6	96	6.3	8¼ to 1
Otis Elevator	12.81	3.71	7.28	3.64	6	125	4.8	5⅓ to 1
Owens Bottle	6.77	...	4.55	1.87	¶3	82	3.6	7¾ to 1
Pierce-Arrow Pfd.	15.46	3.29	8.04	1.76	8	110	7.3	5¾ to 1
Postum Cereal	h5.72	2.26	4.15	2.02	5	97	5.2	4¾ to 1
Remington Type.	16.16	5.29	8.57	3.79	..	104	..	5½ to 1
Republic I. & Steel	6.88	2.94	5.22	2.91	4	56	7.1	5¼ to 1
Sloss-Sheffield	15.09	...	...	...	6	126	4.8	5¼ to 1
Spicer Manf.	5.04	1.46	2.93	v1.26	..	22	..	2¾ to 1
Stewart Warner	12.57	2.25	5.20	2.81	6	70	8.6	5¼ to 1
Stromberg Carb.	7.87	1.68	4.20	2.05	6	57	10.5	5¾ to 1
Studebaker	8.55	2.08	4.51	1.56	5	49	10.2	4 to 1
Timken Roller	6.73	...	...	...	¶4	82	4.9	7¾ to 1
United Drug	12.64	3.80	7.35	2.67	8	164	4.8	6¾ to 1
U. S. Rubber	14.91	...	2.84	...	..	59	..	5 to 1
U. S. Steel	12.86	3.88	8.08	4.99	7	148	4.7	4¾ to 1
Willys-Overland	4.36	0.37	2.68	0.65	..	21	..	7¾ to 1
Youngstown S. & T.	12.38	3.60	7.58	3.80	4	85	4.7	5 to 1

Public Utilities—	Dollars Earned per Share 1925	1st Quarter 1926	1st 6 Months 1926	3rd Quarter 1926	Present Div. Rate ($)	Recent Price	Yield (%)	† Ratio of Current Assets to Current Liabilities
Amer. Tel. & Tel.	11.79	3.02	6.05	3.11	9	149	6.0	1⅗ to 1
Brooklyn Edison	10.00	...	...	...	8	157	5.0	3⅓ to 1
Brooklyn Union	6.30	...	...	...	¶4	93	4.3	2¾ to 1
Columbia Gas & Elec.	5.38	2.41	3.43	j4.34	5	87	5.8	2 to 1
Consolidated Gas	6.98	...	...	...	5	109	4.6	4⅓ to 1
Detroit Edison	10.67	4.12	6.73	1.96	8	135	5.9	2 to 1
Hudson & Manh.	3.81	1.13	2.28	0.80	2½	39	6.4	2⅛ to 1
Int. Tel. & Tel.	a16.82	3.35	6.95	...	6	117	5.1	3¼ to 1
Laclede Gas	15.38	...	...	...	8	168	4.8	1⅛ to 1
Montana Power	5.39	1.76	3.79	1.73	5	84	6.0	1¾ to 1
North Amer.	3.73	1.00	...	...	10% Stk.	49	..	2¼ to 1
Pacific Gas & Elec.	9.52	...	...	...	8	129	6.2	1⅗ to 1
Peoples Gas	11.54	...	7.09	...	8	124	6.5	1⅓ to 1
Philadelphia Co.	7.10	...	...	...	4	89	4.5	2⅛ to 1
Pub. Serv. of N. J.	6.45	z2.38	z4.17	...	2	33	6.1	1¾ to 1
Stand. Gas & Elec.	4.23	...	...	...	¶3	54	5.6	1⅗ to 1
Western Union	15.20	3.42	7.15	4.29	8	145	5.5	1⅓ to 1
Oils—								
California Pete.	u3.50	u0.69	u1.91	0.96	2	31	6.5	3⅝ to 1
Houston Oil	u3.25	...	x4.77	...	..	55	..	2⅔ to 1
Marland Oil	u8.38	1.91	4.10	2.87	4	54	7.4	7¼ to 1
Mid-Continent Pete.	s4.81	rs2.02	4.85	rs3.01	..	30	..	6⅓ to 1
Pan-Amer. B	9.61	3.47	5.56	...	6	64	9.4	3⅓ to 1
Phillips Pete	6.48	rs2.54	rs5.90	rs4.42	3	52	5.8	6¾ to 1
Pure Oil	p2.83	...	...	...	¶1½	27	5.5	p2⅔ to 1
Sinclair Consol.	0.95	...	...	...	..	18	..	1¾ to 1
Mining—								
Amer. Smelting	19.17	...	11.50	...	8	135	5.9	4⅔ to 1
Amer. Zinc Pfd.	u def	u nil	u nil	...	..	43	..	5 to 1
Int'l Nickel	p1.43	u0.73	u1.49	0.70	2	37	5.4	q4½ to 1
Magma Copper	u2.34	s1.03	...	...	3	37	8.1	5¼ to 1
Nevada Consol.	r1.34	r0.36	r0.69	...	1	16	6.2	7 to 1
Ray Consol.	s1.21	r0.36	...	...	1	16	6.2	4⅔ to 1
Utah Copper	7.59	r1.92	r3.95	rs2.60	5	113	4.4	4⅓ to 1

† As of Dec. 31, 1925. ‡‡ As of Nov. 20, 1925.
¶ Not including extras.
* Earned on 902,745 no par shares; shares outstanding in 1924 were 722,196 (par $33⅓).
a Including non-recurrent income.
b As of June 30, 1925.
c Earned on 1,330,829 $100 par shares; shares outstanding in 1924 were 950,609 (par $100).
d Earned on 275,102 no par shares; shares outstanding in 1924 were 235,931 (no par).
e Year ended Dec. 26, 1925.
f Earned on 125,000 shares; shares outstanding in 1924 were 112,140.
j Earned on new stock for 9 months.
g Earned on 611,515 shares; shares outstanding in 1924 were 283,109.
h Earned on 800,000 shares; shares outstanding in 1924 were 400,000.
o As of Nov. 30, 1925.
p Years ended March 31.
q As of Sept. 30, 1925.
r Before depletion. s Before depreciation.
t Year ended Nov. 30.
u After depletion and depreciation.
v Before Federal taxes.
x Before expenses, depletion and depreciation.
y Before 50% stock dividend.
z Before split up.

Your "Permanent" Investment

ALTHOUGH this is the Reinvestment Number of THE MAGAZINE OF WALL STREET, and readers have been exhorted in various pages of this issue to examine their list of security holdings, it should not be inferred that this is the only time of the year to inventory your securities. Every day and every week is inventory time for the investor. There can be no procrastination in such matters if the best investment results are to be had. Time waits for no man and neither do securities. A day's delay in adequate action may cost you either a real opportunity or may cost you a severe loss. A month's delay may well prove irretrievable.

NO field of thought consumes so much unflagging attention as securities. As pointed out many times in this publication there is no such thing as a permanently secure investment. One can see so far in advance and no further. Frequent revisions of a security list are essential, not only to obtain as high an income as possible but even to assure that the principal will be unimpaired. "I want a security I can buy and put away without thinking any more about it," says the lazy investor. But there's no such "animal." Even our own Liberty bonds dropped after the war from par to 86. The man who "put them away and forgot them" was later on given an opportunity to remind himself that forgetfulness has no place in making a success of investments. Fortunately for Liberty bondholders these bonds came back vigorously but there are countless instances of once good securities which subsequently developed internal weakness to an extent to wipe out their value. Holders of St. Paul railroad stocks, for example, will agree that the policy of "buying and forgetting" has not been fruitful in their case. Nor should we fail to mention the numerous instances of reorganizations of once prosperous companies—reorganizations which cost investors large losses and years of delay in building up a competence. But there are many who saw the handwriting on the wall in time to escape these serious losses.

IT is important to know then that one should not count on an investment proving a permanently sound proposition. It may be, of course, that your stock or bond ten or twenty years from now will still be paying you an income, but you can have

no assurance on this point. Hence, all security investments in a sense should be undertaken as being good only for a certain period. When the time has come to dispose of the issue because of a threatening change in its value, it should be done without hesitation and without qualms.

Too many investors, however, are prone to look upon their stocks and bonds as permanent fixtures in their financial life. An almost sentimental value is attached to the certificate which after all is merely a symbol of ownership. Though the certificate, physically, does not change the company behind it may deteriorate. Hence, though the investor may try to assure himself that his ownership is intact, actually its value may have become completely altered.

The bond or stock you own is merely a vehicle to carry you to Financial Independence. If you stick, however, to a vehicle that may become broken down, you may never reach your goal. Change your securities, those no longer attractive, into fresh, strong issues.

THERE are two things any investor ought to do. The first is to make a plan of security purchases and stick to it. The second is to make sure that the individual securities have been purchased with care. The plan should be more or less permanent, the securities need not be and probably should not be.

Your plan will be an entirely personal one: if properly arranged, it will meet your requirements which are probably quite different from anyone else's. Therefore, you will first have to decide the nature of your requirements. This will depend on your earning power and its prospects, on your family circumstances, and, but not last, on your temperament. If there are weaknesses in your personal make-up—recklessness, impatience, superficiality in thinking, excessive anxiety, etc.—take these into consideration. In any case, make out a plan and, if you are not competent to pass on its practicality, ask some qualified person, but tell him the facts frankly. How good your plan then, is of immense importance as it will affect your entire financial future.

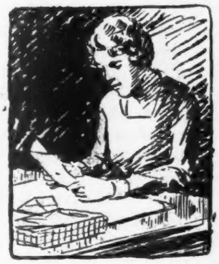
IF the plan is adhered to, the investor has a reasonable chance for success even if he does not stick to the individual issues he may have bought originally. Physicians will tell you that your entire physical texture changes completely every seven years, but this does not make you a different person. In the same way, though your list of securities may undergo continuous transformation, if your plan has succeeded in building up an increasing competence, it makes no difference what securities you own or have owned, provided they have accomplished the desired result. The important thing is "to be in the game" ten, twenty, thirty years from now. But to be in the game, financially, you will have to learn to discard even your pet securities, if there is a reason for so doing. The one thing you can't afford is to stick with your stocks and bonds just because by selling them you might have to admit an error when you bought them in the first place. You can't afford prejudices in your investments.

TREAT the subject of your security possessions impersonally. They are merely a means to an end and not an end in themselves. Learning then that no security should be considered a permanent investment, that it is the rule rather than the exception for securities to change in value, you will have learned that your best policy will be to watch your holdings carefully and by a constant process of sifting, strengthen your general financial position.

Do not be an inactive investor. Let your slogan be "Action." This does not mean trading in and out of the market. It does mean sensible and efficient adjustment of your investments to fit the need of the time.

BYFI Makes a Suggestion

to the Inexperienced Investor



These investment recommendations are now a regular feature for the guidance of BYFI readers. With the original selection of each issue, safety of principal has been a foremost consideration. Each issue is watched continuously and will be replaced at any time that it may become unfit for retention. Such changes will, of course, be brought to the reader's attention, if and when they occur.

THE FIRST $500

	Approximate Price	Yield to Maturity
Savings bank accounts are recommended for deposit of regular savings, to yield	...	4 to 4½%
Shares of well managed Building & Loan Assn. are recommended on the monthly payment plan	...	5 to 6%
Endowment Insurance is a suitable medium for the investor and yields a return of	...	3 to 3½%
*Laclede Gas Light 1st and ref. 5½s, 1953	103	5.25%

THE NEXT $1,000

†Baltimore & Ohio ref. 5s, 1995	99	5.05%
†Commonwealth Power 6s, 1947	104	5.60%
†N. Y. Steam Corp. 6s, 1947	104	5.65%
†Western Pacific 1st 5s, 1946	99	5.10%

*Available in $100 units. †Available in $500 units.

$5,000 FOR INVESTMENT

	Approximate Price	Yield to Maturity
Cuba R. R. 1st 5s, 1952	94	5.45%
American Sugar Ref. 6s, 1937	104	5.50%
U. S. Rubber 1st 5s, 1947	95	5.40%
West Penn Electric $7 Pfd.	98	7.15%
U. S. Smelting & Ref. $3½ Pfd.*	46	7.60%
American Water Works & El. $7 Pfd.	104	6.75%

THE NEXT $5,000(a)

Seaboard Air Line 1st Cons. 6s, 1945†	96	6.35%
Nassau Electric 4s, 1951	60	7.60%
Western Maryland 1st 4s, 1952	75	5.85%
Brooklyn-Man. Tr. $6 Pfd.	86	7.00%
International Paper $7 Pfd.	97	7.20%
American Tel. & Tel. common	148	6.05%

(a) This group is selected with a view toward probable enhancement in principal.

*Recommend to hold at present. †Recommended to replace Armour of Del. guar. 5½s, 1943.

The First of a Series of Articles on The Technique of Handling Securities

The Certificate—And What It Represents

Discussing Some of the Popular Misconceptions of Stock and Bond Certificates with Precautions in Their Proper Handling

By STEPHEN VALIANT

THE other day my attention was attracted by an amused crowd which gathered about the turnstiles at the Wall Street station of the East Side Subway. A rather ordinary looking gentleman had presumably dropped his bundles while going through and much to his embarrassment, one of the packages tore open, its contents scattering over the platform. I paused in front of the turnstiles with several other uptown passengers to give him a chance to gather his possessions together.

By chance I glanced down at the half open package and was amazed to note that its contents, part of which was scattered over the platform, were nothing more nor less than crisp, shiny, brand new stock certificates with red seals, handsomely engraved green borders and the endorsement form on the back. From the mixed expressions on the faces of the other passengers it was obvious that they too noticed the nature of these papers.

Several young men, no doubt clerks who handled hundreds of thousands dollars' worth of certificates a day, were utterly unimpressed by the strange picture of new stock certificates on the none too clean subway platform. An old lady from the country stood back with both mouth and eyes wide open in astonishment at this unseemingly and unexpected display. A young man with shabby dress and shifty eyes, who may or may not have been a sneak-thief, moved nervously toward the scattered pile and then suddenly retreated as a uniformed policeman hurried down the stairs to the assistance of the confused gentleman who was on his knees picking up his certificates while surrounded by the amazed but orderly crowd.

A rapid calculator would have set the value of these certificates somewhere in the millions. At least this was the hasty appraisal of a suspicious individual who had hurried to the street level to inform the police officer of this most unusual scene. In the financial district of New York City, where known criminals are barred by the Fulton Street "dead line" and arrested on sight, such a scene would always command immediate police investigation.

What Is a Certificate?

By this time, the unfortunate gentleman had made a new but none too efficient package of his scattered papers and started to make his explanations to the police officer. Showing some business cards and other credentials, he readily established himself as a salesman for a manufacturer of stock certificates—on his way to deliver personally a consignment of his wares, fresh from the presses. Unissued, unsigned and unsealed, the entire lot of packages were worth just so much as the current market price of high grade bond paper. If, however, I noticed correctly the name of the corporation on the face of the certificate (and I am quite sure I did) these same bundles of paper are at this moment worth several millions of dollars.

I know of nothing that could carry home as vividly as this incident, the exact status of a stock or bond certificate *—and what it represents.* A certificate is the legal evidence that one owns a certain interest in a corporation. Aside from its convenience as evidence of ownership, the certificate itself has no value whatever. Strictly speaking, one never buys or sells a certificate. That is merely a manner of speaking. The investor buys an *interest* and, after all arrangements for the sale are completed to the satisfaction of both parties, the certificate itself is turned over to the buyer, and by custom this is considered satisfactory means of proof that ownership has changed hands.

No doubt few investors realize the marked difference between the status of a certificate for a stock and a certificate for a bond—nevertheless a difference exists that must be recognized by the investor who aspires to the proper technique in handling securities. A share of stock (of which the certificate is evidence of ownership) is a partnership interest in the corporation. Usually this share is entitled to a vote in the election of the directors and other important matters such as merger with another company or changes in the capitalization, etc. Whatever the directors deem advisable to pay out in dividends, is divided equally among all the shares. However, the corporation has made no agreement to pay out anything to the common shareholders and has no obligation except the dictates of good business policy to pay anything, no matter how much the corporation may be earning.

The common shareholders are all on an equal footing in proportion to the number of shares owned, with a co-operative interest in the business and

are so recorded on the corporation's books. It makes no difference whether the certificate is in their own strong box; held by a kindly uncle against a loan; or put up as collateral with their broker for other investments. Possession of the certificate is a convenient way of indicating ownership but is by no means the only or the final proof of such ownership.

An acquaintance of ours, who is none too well informed concerning the fine points of investment, remarked by chance some time ago that he lost several thousand dollars because some stock certificates were burned up in a fire. All of his check stubs, brokers' slips, receipts, etc., were long since thrown away in addition to, as he put it, "his shares being burned up beyond recognition." Because the stock paid no dividends and a single letter to the corporation was either not received or properly attended to, he assumed that the value of the shares was lost in the fire in the same way that he had lost a valuable stamp collection and other papers.

We informed him that by making application to the secretary's office he could obtain forms for making an affidavit covering all the facts of the case and by paying nominal fees to bond the company against loss from any other claimant would receive another certificate to replace the one destroyed by fire. When the new certificate was delivered, it was considered advisable, for personal reasons, to dispose of the stock (which had a ready market) and the amount realized was truly found money. The sale of the shares, of course, is incidental to the main point that to lose the certificate was not by any means the same thing as to lose the shares of interest which it represented.

Don't Lose Your Bond Certificate

The story helps to illustrate in a way also, how a stock certificate differs from a bond certificate. Going back beyond the certificate itself a bond is a debt which the borrowing corporation has agreed to repay at a stated time and pay a fixed rate of interest for the accommodation in the meantime. The certificate in this case is the means by which the corporation acknowledges the debt. Furthermore, the debt is not recorded on the books of the corporation as being due to any specific individual but instead is payable to anyone who can prove ownership of the *certificate* which it issues.

Many Readers Participate in Fox Film Picture Contest

IN announcing the prize winners in the BYFI Educational Contest which closed November 11, there will be no doubt concerning which of these picture contests we refer to, if we call it the "Fox Film Contest." Practically every contestant wrote down the name that our artist intended to picture—Fox Film Corporation. Moving picture securities hold considerable investor interest, if this contest may be taken as an indication, for the participation was unusually large. Peculiarly enough, the large majority of those who entered this contest agreed that the outlook for this industry was promising, although inherently holding forth undue hazards to competing producers and few considered Fox Film shares attractive at the existing price level. The prize winning answer appears on page 293 of this issue.

CASH PRIZE WINNER

EDWARD R. FRIBERG,
Everett, Washington.

NINE NEXT BEST ANSWERS

C. A. Bireline,
Walla Walla, Wash.

C. E. Raynor,
Montgomery, Ala.

W. M. Fuller,
Cincinnati, Ohio.

U. Wain,
St. Louis, Mo.

R. D. Lusk,
Lexington, N. C.

Russell B. Christie,
Saginaw, Mich.

Harry J. F. Brown,
Pittsburgh, Pa.

E. D. Allen,
New York City.

Charles A. Shaw,
Winnipeg, Canada.

Most corporations make it a practice to keep a record of the names and addresses of those who wish to register ownership of certain units of the corporations bonds. Bonds thus recorded are known as registered bonds and are thus distinguished from the unregistered bonds which are most largely dealt in on the security exchanges. In the event of loss, a bond can be replaced provided either that it is registered or that the previous owner can prove his claim beyond any reasonable doubt. However, it is not merely a new certificate that the corporation issues but in reality a new evidence of debt and the legal difference here has been the cause of many interesting court cases.

Registered bonds are not ordinarily as readily marketable as the coupon bonds and the spread between their bid and asked price in the open market is greater. For this reason as well as the additional ease in making a sale and delivery, most investors hold coupon bonds. An unregistered coupon bond, unlike any other certificate, is the property of whoever holds physical possession of the crisp, finely engraved paper which we call the bond. In a sense, it is like the gold notes circulating in our currency which contain a promise to pay so many dollars in gold to whoever presents the piece of paper to the Treasury and makes the demand.

If a coupon bond is lost and the unfortunate owner has no good proof that he was the man who owned it at the time it was lost, *the corporation which issued the bond is in just so much money and the investor is out.* One of the conditions upon which a corporate loan is payable is the delivery of the bond (certificate) itself, which is then canceled by the proper officer of the company. Obviously, if one cannot deliver the bond, one is not entitled to payment. In the case of a stock certificate no such conditions have been made or agreed upon and the certificate itself is of considerably less importance, especially in case of loss or doubt concerning legal ownership.

It goes without saying that all certificates for securities should be handled with at least as much care as one would with any other important papers. In the case of a coupon bond, the certificate itself should be regarded as just so much paper money and cared for accordingly. It is not without good reason that our large banks and security organizations employ armored cars in which to deliver securities and make use of elaborate protective facilities to avoid loss or theft of these valuable bits of paper. The investor should take his clue from these precautions and protect his certificates as if they were $1,000 bills.

A Plan for an Investment Novice With a Large Income

A Few Observations on the Investment Success of Wealthy Investors

IT is a popular supposition that all men with large sums to invest are the best investors, while on the other hand men of limited means are in the direst need of investment advice. The experience of this writer, who has the opportunity of reviewing the holdings of thousands of investors suggests that if any comparisons are to be made, the small investor is quite likely to come away with the laurels and not necessarily the investor of affluence. Perhaps, the small investor acquires his savings with too much personal sacrifice to take chances, or, it may be that the wealthy man is too busy making money to have much time or thought left for its investment. Whatever the reasons, the fact remains that numerous individuals with substantial sums at their disposal fall far from earning the title of "perfect investors."

A case in point is that of J. F. B., whose letter to this department is reproduced here—a liberty which we are taking through a conviction that other of our readers in his circumstances would do well to give a little more intensive study to their investment situation. That our correspondent is interested in formulating a plan for creating an investment estate that will return a comfortable income in later years is most commendable. With $12,000 in cash, not earning any return, and a large portion of the balance of the capital assets in medium-grade preferred or speculative common stocks, the want of an investment plan becomes obvious and should be formulated so as to provide a *strong reserve in sound ready-marketable bonds as early as possible*. There are four important steps, we would recommend, which will serve our correspondent's end.

Dear BYFI Editor:

As a novice in investments, I am writing to you for advice.

I am a man thirty five years of age with an income - from salary - of $15,600 a year, with a yearly bonus ranging from $2,500 to $10,000. If there an investment plan whereby I could assure myself of an income of $9,000 a year by the time I reach the age of forty-five. I could lay aside for investment a regular amount of $75 a week - this in addition to keeping up payments on building and loan shares - with the major portion of my home.

I carry $38,000 worth of life insurance - straight life - and 340 shares of building and loan associations. The B & L shares will be worth $68,000 if continued for 11 years.

In addition to my life insurance, I possess the following:

$1,000 In savings bank at 4 % interest,
$2,500 Paid in B.&.L. shares,
$4,500 My cost on U.S. Smelt.& Ref. Pfd. (100 shs.);
$2,150 My cost on Certainteed Prod. com. (50 shs),
$2,250 My cost on Loews Inc. com. (50 shs),
$2,250 My cost on Ward Baking Pfd. (25 shs)
$12,000 cash in checking account and due from business before end of December.

Besides outlining an investment program for the future, and the $12,000 on hand, would you kindly let me have your opinion of my present investments. Thanking you for your courtesy in this, I am,

Sincerely yours,

J. F. B.

First—Sell out the two common stocks in your list. You have not prepared yourself as yet for speculative commitments. With these funds, as well as the cash in your checking account beyond an adequate balance for current needs, we would advise the purchase of high-grade bonds of the type which appear in the *BYFI Recommendation Table* or the *Bond Buyers' Guide* (investment groups only). Ward Baking preferred is not a high-grade preferred stock, but attractive on an income basis and suitable for retention when you have built up a back-log in bonds.

Second—Keep up your building and loan commitments, providing, of course, that you have satisfied yourself with the status of the associations with which you are doing business. Also keep up your insurance. It is about the amount and kind of coverage that best serves your purpose at the present time.

Third—We would suggest that you open up a "special" bank account (checking) and deposit here the $75 a week which you plan to devote to the accumulation of investments. From this source alone, your special account will stand the purchase of a $1,000 bond about four times a year. We would also suggest that you deposit all dividends, coupons or profits from reinvestments in this account which period will give you the advantage of compound interest from all your investments throughout the accumulation. All investments from moneys in this account *should be limited to well secured bonds and high-grade preferred stocks.*

Fourth—Having laid a firm foundation in investments of good quality, it would be entirely in line with good investment practice to plan to use your bonus for the accumulation on a cash basis of well-seasoned common stocks where your funds will grow in value over a period of years as American industry continues to expand and prosper. Diversity should play a prominent part in your selections and it is essential to the ultimate success of the aim you have in mind to choose well-established, seasoned, dividend-paying issues with substantial values behind them. More specifically, we have in mind issues like American Tel. & Tel. among the public utilities; Standard Oil Company of New Jersey among the petroleum shares, and Anaconda among the copper stocks. Similar issues in line with this standard are easily identified from among the recommendations which appear in other sections of THE MAGAZINE OF WALL STREET.

A pencil and paper and a few minutes' calculation readily disclose how the plan suggested will meet the goal which you have before you. The immediate rearrangement suggested of cash and securities on hand gives you approximately $27,000 in building and loan equity, savings bank accounts and bond investments. The special investment account over the period of years indicated will provide about $45,000 plus a reasonable expectancy of some odd $10,000 through reinvestment of income. The additional building and loan payments contribute another $65,500 at the end of eleven years. The minimum bonus expectancy for the common stock account could reasonably be expected to provide at least $25,000 in principal and ordinary interest return with a potential gain of at least twice this sum through more-than-ordinary attention to this phase of the plan. The total amount of invested principal will return an annual income at age forty-five of somewhat more than the desired income from the types of investments recommended above.

How to Use Insurance for Investment

Security of the Principal Invested and Certainty of Income Places Insurance in the Gilt-Edge Investment Category

By FLORENCE PROVOST CLARENDON

THIS special article covering the investment qualities of a life insurance contract is presented in this issue for readers who may wish to consider insurance together with other mediums for their year-end reinvestment needs.

IT is a well recognized fact that a well established life insurance company is a financially sound institution. By this we mean a company operating in various states, and known as an "Old Line" company, with ample reserves to meet its obligations and with fixed and definite premiums. Such companies are supervised by the state officials who certify to the soundness of the corporation, and the laws of the several states furnish adequate safeguards as far as the company's responsibility to the policyholder is concerned.

The policyholders of such a company have always been thoroughly protected. It follows that if a means can be shown of securing an investment in a first-class life insurance company, carrying the guarantee of the company with its reserves, its surplus, and its future income, then on the point of security no question can be raised.

In general life insurance is taken as a means of protecting a beneficiary. Sometimes the purchaser wishes to provide for his own future, or for his old age. In such cases it is usual to make an annual payment and secure the benefit by paying out instalments, or premiums, from year to year until maturity. For example, a young man of thirty can secure $10,000 payable to himself absolutely at age sixty by paying $254.30 each year. The maximum payment over the 30 years would be 30 times $254.30,—namely $7,629. He gets $10,000 which will be paid immediately in event of death, or at the latest, 30 years after the purchase is effected. This form of insurance combines a thrift investment fund with the ordinary insurance protection. For simplicity of observation the non-participating form has been used.

The foregoing is meant for a young man with a moderate income who has not accumulated a large fund for investment. The situation is different in the case of a man who has attained success in life, and who is probably nearer fifty than thirty.

When a man considers life insurance from the position of an investor, with a considerable fund of cash to lay out in a sound security, there are two other forms of securing a profitable investment in life insurance which are less known. The simpler of these two forms is life insurance by single premium. On the basis of dividends being paid by some companies at the present time, such an investment will compare favorably with the income from government bonds.

We shall use a participating company for illustration, because while the single premium is greater at first, the dividends make a better return from year to year, and give a more attractive proposition from an investor's standpoint in those cases where the insurance element is of comparatively little consequence. Moreover, we use also a participating company which carries its policy reserves on a 3% basis because thereby the dividend return in the future is likely to be greater, the initial outlay being in like manner greater.

For a single premium of $6,000 an insurance policy of $10,000 fully paid up, and entitled to participation can be secured at age 50. The annual dividends on such a policy on the basis of the payments now being made by good sound companies are shown in the following schedule:

1st year	$111
2nd "	112
3rd "	114
4th "	115
5th "	117
6th "	119
7th "	121
8th "	123
9th "	125
10th "	128

It will be seen that these dividends represent a return on the principal sum of about 2% on the average, increasing from year to year. But there is another feature in these policies which is not so apparent at first glance, but which increases the return—namely, the increase from year to year in the cash surrender value. In other words, the investment enhances in value every year. *This enhancement is guaranteed.* The surrender values of such a policy would be as follows:

After 5 years	$6,100
" 10 "	6,667
" 15 "	7,232
" 20 "	7,767

It will be observed that the increase in 10 years amounts to $667, and in 20 years to $1,767. To get a rough approximation to the average annual increase, we may divide by the number of years. Thus the investment instead of yielding only 2% as above mentioned, yields about 3%, with an increasing yield. There is also a large contingent possibility in the insurance return, for in event of death $10,000 is immediately payable, and this benefit of $4,000 over the original investment is received at the time when it is likely to be the most needed.

Furthermore, the investment has many advantages from a tax standpoint, because the dividends are not taxable until the full amount of the premium has been repaid in cash to the purchaser. This practically means that these dividends are not taxable at all. Another taxation advantage is that if life insurance be made payable to a named beneficiary it is—at least to the extent of $40,000, and perhaps more—free from inheritance tax. There are other incidental advantages which cannot be enumerated here.

The second plan of gilt edge investment which we wish to illustrate in this article is one which is only very occasionally used, and is not sufficiently appreciated by insurance agents. For the purpose in mind it seems equally good, and perhaps simpler, to illustrate by way of non-participating insurance, because in this way a definite and guaranteed figure can be quoted. Participating policies will yield approximately the same results with a tendency to give a smaller return at first, and a larger return later.

Suppose an investor has $10,000 to invest, and his age is fifty. Suppose,

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Texas Company

A Stable Oil Stock

Attractive for Income and Enhancement—the Incorporation Change—Features of Company's Activities

By H. G. SMITH

TEXAS Company has achieved a degree of stability extremely difficult to attain in an industry so notoriously unstable as the oil industry. An established position necessary to enable an oil enterprise to withstand adverse conditions over which it has no control cannot be reached overnight. An impregnable financial status is the first essential, but diversity of operations sufficient to avoid dependence on any one branch of the industry, especially the producing end, is also highly desirable.

Texas like all companies of its class is never static. It has for years been plowing back surplus earnings in the property, strengthening its finances and its trade position through judicious expansion, as well as improving its processes wherever possible. In some respects the depression in the oil industry has been an aid rather than a hindrance to concerns of this character, insofar as financial strength in times of stress enables them to acquire additional properties to better advantage than during a period of prosperity, and thus offset temporary curtailment in earning power by more effective building for the future.

All four of the major branches of the oil industry, production, refining, distribution and transportation, are included in the activities of Texas Company. As in the case of the large Standard Oil units, crude production is a means rather than an end, that is, it is primarily for the purpose of supplying the company's own refinery needs and not designed for disposal in the market. In fact, Texas, both in the scope of its operations and the manner of doing business, conforms more to Standard Oil principles than any other of the so-called independent oils. At the same time, its dividend policy is more liberal. An annual rate of $3 per annum has been in effect for the last six years on the 6,578,000 shares of $25 par stock outstanding, the sole capitalization of the company outside of a small amount of 5% notes due next January. An owner of the stock accordingly has the double advantage of a sound conservative holding, judged by common stock standards, and a better return on the investment than can be obtained from oil securities of a similar type.

The largest gross and net earnings in the history of the company were turned in last year. Gross was 159.4 millions and net income 39.6 millions, equivalent to $6.02 per share on the capital stock. The extent to which the assets are undervalued on the books may be judged from the fact that the 39.6 million net was more than 25% of the depreciated valuation of the physical assets. It has always been the policy to carry assets at cost less depreciation and depletion regardless of subsequent discovery values or other enhancement in worth. The same conservatism pervades all the numerous departments of the business, producing fields, undeveloped acreage, refineries, terminals, pipe lines, tank farms, sales stations, and telegraph system, and is likewise found in the valuation of oil inventories which are carried at a figure substantially under market prices.

Texas publishes more comprehensive reports in regard to its activities than any other oil company. The tremendous scope of its operations may be realized from even a casual examination of the data for 1925. Crude production totalled over 21.9 million barrels, an average of about 60,000 barrels daily. Half of this was obtained from the state of Texas, the balance being divided among Louisiana, Arkansas, Oklahoma, Kansas, Wyoming, Colorado, New Mexico and Mexico. Gasoline output amounted to 15.2 million barrels from 34.4 million barrels of crude run to the refineries. The percentage of recovery was therefore 44.2%, an increase of no less than 18% over 1922. At the close of the year the company had 4,746 miles of pipe and gathering lines, 9,841 miles of telegraph and telephone wires, 5,400 tank cars owned or leased, a fleet of vessels, storage tanks, ocean terminals, 1,600 distributing stations in various parts of the United States, as well as marketing facilities all over the world. Refinery output in-

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Texas Company

	Gross Earnings (millions)	Operating Expenses (millions)	Net Income (millions)	Share Earnings	Working Capital (millions)	Capital Stock ($25) (millions)
1920	$142.8	$98.4	$31.1	$7.16	$117.0	$130.0
1921	102.6	73.0	9.3	1.54	122.1	164.5
1922	131.0	80.6	26.6	4.04	111.4	164.5
1923	118.4	87.5	8.2	1.24	87.7	164.5
1924	139.6	89.1	26.5	4.02	101.9	164.5
1925	159.4	89.4	39.6	6.02	121.1	164.5

SERVICE SECTION

ANSWERS TO INQUIRIES

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Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privilege of the Inquiry Department should be guided by the following:

1. *Be brief.*
2. *Confine requests for an opinion to three securities*
3. *Write name and address plainly.*

AMERICAN SUGAR

I have been a stockholder of American Sugar Refining Company for over a quarter of a century. My original purchase dates back to 1900, when I bought my first 10 shares at $98 a share, but I have added continually to my holdings during the interval to date with the result that I am now carrying over 400 shares, standing me an average of slightly under $90 a share. Things looked pretty bad a couple of years ago, and the loss in income embarrassed me, but I managed to hold on, and now note that things seem to be going much better with the company. Please give me your interpretation of the situation surrounding this company and your advice in regard to my holdings.—R. J. B., Cleveland, O.

The 1920-21 debacle in American Sugar common shares, when this security declined precipitately from 142⅝ to 47⅝, has passed into stock market history, but many years will elapse before the circumstances are forgotten by unfortunate investors of that time. For years this stock had been regarded as a prime investment, selling many points above par, and in its inclusion on an investment schedule testified to the conservatism of the investor. Time passes and conditions change. In 1920, the year following the war, at a time when American Sugar had hardly digested its unprecedented wartime prosperity, a period of stagnation descended upon the industry, devolving rapidly into chaos. In an amazingly short period of time earnings had declined to the vanishing point, and a supposedly impregnable financial position had been seriously weakened. A combination of tremendous high cost inventories, frozen credits and falling sugar prices literally wreaked havoc with its affairs. From a prime investment, American Sugar became a poor speculation. Even so, one wonders if the pendulum did not swing too far. At any rate, the record of the company since that time has been along constructive lines, and although its progress has been slow it has been none the less sure. Earnings have continued to show a tendency toward expansion with the end in this direction by no means in sight. American Sugar stock is quite some distance removed from the recovery of its prewar investment prestige and quoted value, but its efforts along these lines may yet be crowned with success. We suggest holding.

DU PONT

Last year about this time I wrote to you regarding E. I. du Pont de Nemours, of which I own 30 shares, and you advised me to hold my stock for further price appreciation. I am glad to say I followed your advice to the letter and now have a very handsome profit to my credit. Do you think I should accept this, or would it be well to hold as a permanent investment?—S. J. W., Chicago, Ill.

We are pleased to note the favorable results attending your investment in du Pont shares and trust you will be equally as fortunate in the future. As matters stand today we believe your interests would be best served by accepting your satisfactory profits with a view to replacing your investment to good advantage at a later date. Reflecting the unprecedented prosperity enjoyed by General Motors, in which company it holds a very large stock interest, as well as banner results from its own commercial operations du Pont shares have staged one spectacular advance after another to the highest levels in the company's history. Our opinion is that this advance was fully justified by circumstances. However, a point has been reached where sober reflection is imperative. We do not doubt that du Pont will make a satisfactory showing in 1927, but it is too much to expect that the prosperity of the current year will be equaled, much less surpassed, and hence it is difficult to perceive where material price appreciation from these levels can be expected. On the other hand, predictions are being made that lower prices generally will prevail next year, and hence du Pont, as a speculative favorite, seems certain to be affected to an appreciable extent. We believe you would do well to close out your holdings.

AMERICAN BROWN BOVERI

Living abroad as I did for many years, and through business associations having first hand knowledge of the efficiency and high commercial standing of the Brown Boveri organization, I welcomed the formation of the American Brown Boveri Corporation as an excellent opportunity to share in the prosperity of this concern. I bought 100 shares of the participating stock at the offering price of $50 a share. I am confident as to the ultimate outcome of this investment, but I wonder if I did not act rather hastily in purchasing what is, after all, an unseasoned security at the fag end of a bull market? Do you think

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When Quick Service Is Required, Send Us a Prepaid Telegram and Instruct Us to Reply Collect

Restrained Buying Slows Business

Profit Margins Narrow as Prices Trend Downward

STEEL

Production Lower

CONDITIONS in the industry are easier. While October production topped that of September and August, output so far this month has definitely declined below previous levels. Seasonal factors are in the main responsible; and by the same token, still lower operations are also looked for in December. In recent years there has always been a let down in the closing month; and there is little ground at present to indicate an exception. The automobile industry does not reveal any signs pointing to new activity; and developments of a constructive nature from car manufacturers are not likely to be seen until the new year has been ushered in. Another reason for the downward trend of steel orders is the lessening in demand for farming implements. This branch of the trade has had a large year, and contributed extensively to the maintenance of high operations. January should witness a better demand in many steel lines.

Prices are characterized by firmness,

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COMMODITIES*

(See footnotes for Grades and Unit of Measure)

	1926 High	1926 Low	1926 *Last
Steel (1)	$35.00	$35.00	$35.00
Pig Iron (2)	20.00	17.00	18.50
Copper (3)	0.14⅝	0.13¾	0.13¾
Petroleum (4)	2.29	1.78	1.90
Coal (5)	2.88	1.75	2.75
Cotton (6)	0.21	0.12⅛	0.12⅝
Wheat (7)	2.10	1.45	1.51
Corn (8)	0.84¼	0.69	0.71
Hogs (9)	0.14⅝	0.11⅛	0.11½
Steers (10)	0.11⅛	0.09	0.10¼
Coffee (11)	0.20⅛	0.15¾	0.16½
Rubber (12)	0.98	0.39	0.40
Wool (13)	0.54	0.43	0.45
Tobacco (14)	0.19	0.19	0.19
Sugar (15)	0.04¾	0.04	0.04¾
Sugar (16)	0.06	0.05⅛	0.06
Paper (17)	0.03¾	0.03¼	0.03¼
Lumber (18)	24.40	22.90	22.90

*Nov. 20.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full, Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Seasonal tapering down in activity continues as demand for agricultural machinery follows decline in automobile production. Fabricated bookings hold up fairly well and the general price structure is maintained, although some minor concessions are noted. Pig iron has apparently seen the crest of its recent buying wave.

PETROLEUM—Production has responded to recent price cuts with at least temporary lowering of daily output. Some Southwestern fields have agreed to restrict new drilling operations for November. Prices of refined products are generally easy except in fuel oils.

METALS—Although holding their ground fairly well, the group as a whole continues dull. Copper consumption is lower than few months ago and larger users are pretty well covered. Lead and zinc show fair domestic sales but are slack abroad.

AUTOMOBILES—After record season in number of cars manufactured the decline at this time is especially pronounced. Only 331,738 vehicles were turned out in October, a drop of more 65,000 from previous month. Price reduction still evidences keen competition.

TEXTILES—With stocks of cotton goods in the country at the lowest in five years, and many mills sold well into 1927, operation close to capacity is warranted. While some inventory losses will be incurred as a result of drop in cotton, the majority of mills will profit at current levels.

COAL—Although the settlement of the English strike seems imminent, continuance of a sizable export business is assured for several months. Herculean production has eased the situation for domestic sales and prices have receded slightly. Anthracite production is again increasing and coke is also more plentiful.

SUGAR—Semi-official pronouncement of restrictions on the next crop precipitated highest prices seen this year. In view of current market strength and potentiality of United Kingdom buying on cessation of the strike, a continuance of improved levels is expected.

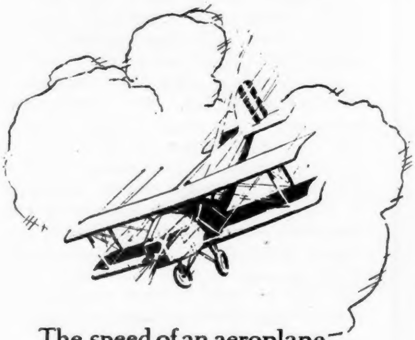
RADIO—Buying movement has advanced the harvest season of this industry fully thirty days over last year with sales 15% to 25% greater. Despite demand for power units, battery sales are well sustained. With overproduction less in evidence the industry is in sounder condition than ever before.

RUBBER—With its long continued decline interrupted by only minor rallies, future prospects are none too favorable. Imports for November will be considerably ahead of consumption, stocks are large and tire output is restricted.

SUMMARY—Although still in fair volume, business continues quieter than in recent active months. Trade generally faces narrowing profit margins and restraint in buying which it is consequently ill situated to withstand.

Soon

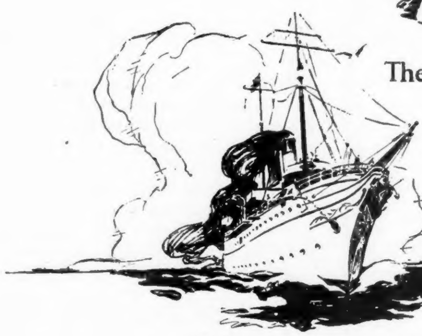
a new line of automobiles with



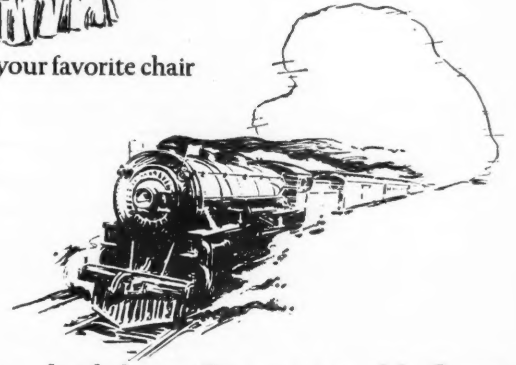
The speed of an aeroplane

The comfort of your favorite chair

The smartness of a new Parisian style



The luxury of a yacht



-and with the travelling certainty of the Century

One of the greatest forces responsible for this nation's success is the **will** of its people to prosper; to advance; to seek that which is better than they have. This attitude is a great economic asset but it places an endless requirement upon those who seek to merit public patronage. Perhaps this is no more evident than with motor cars. What satisfied yesterday seems mediocre today. Cars **must** be better built, of better design, capable of better performance and longer life. Car owners are too experienced and too critical to be satisfied with superficial changes. Simply changing body lines, or colors, or even prices will not suffice for those who want the **best** obtainable today. Improvements must be real and fundamental. Auburn is ready to offer a new line of cars to satisfy, as never before, the **highest** requirements of those who demand the most.

—E. L. Cord, Pres.

The Six—120" wheelbase, 65 M. P. H. Sport Sedan $1195.
Straight Eight—125" wheelbase, 75 M. P. H. Sport Sedan $1495.
Straight 8-88—130" wheelbase, 80 M. P. H. Sedan $2195.
Eight other models from $1095 to $2595.

AUBURN AUTOMOBILE COMPANY, AUBURN, INDIANA

AUBURN

BULL MARKET IN BRITISH SECURITIES?

(Continued from page 216)

Already a start has been made in the anthracite mines by the formation last year of the Amalgamated and United Anthracite Companies. The government is pledged to favor such a policy, which meets with the support of the miners and many leading mine owners, and is in trend with the development in other industries. The recent amalgamation in the chemical and allied industries of Brunner, Mond & Co., the British Dyestuffs Corporation, Nobels Industries & United Alkali Industries is the largest British industrial combine in existence, having an issued capital of £38,250,000. These amalgamations should lead to more successful competition with foreign combines and a more aggressive policy in seeking new outlets in foreign markets.

Reorganization of the coal mines should go hand in hand with a development in the supply of electrical power. England is far behind other leading industrial countries in this respect. Whereas the average unit per head of population is 900 in Canada and 500 in the U. S. A., it is only 110 in Great Britain. Electric light and power rates are still temporarily high. The new Electricity Bill is designed to remedy this. In the words of Prime Minister Baldwin, "Generating stations will be developed in the most suitable sites and on the most efficient lines and will be linked up all over the country. The saving in capital charges and the improved load factor will, I hope, enable current to be supplied at less than half the average present cost and at a lower price than even the best installation can produce today." The bill is designed to give the necessary power to force amalgamations of existing power units, etc., but the whole scheme is to be carried out by private enterprise. Sir Alfred Mond and others have been working on a vast national scheme for creating electrical power stations, pithead and making proper economical use of coal by-products. These and many other schemes of industrial expansion which have been delayed owing to the threat of the coal strike are now likely to be put into operation.

The full advantage of the reorganization of the railways has not been felt owing to the companies being prevented by the railway unions in making economies in *personnel.* The railway unions having violated their contracts in coming out on the general strike, the railway companies have only re-engaged the number that efficiency demanded.

National building schemes, to make up for the enormous arrears during and since the war, have been delayed by almost unsurmountable labor difficulties. The building unions have hitherto refused to allow an increase of

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(*Continued from page* 254)

available labor or to remove the absurd limitations of individual output. The weakening of the trades unions resulting from the strike and consequent weakening of building unions eliminates the only factor that has negatived this development.

The trend of conditions on the Continent of Europe is more favorable to British interests. The "heavy" industries of Great Britain have had to face competition with countries of depreciated exchange. Great things are expected of the iron and steel agreements between Germany, France and Belgium. It should, at any rate, prevent dumping below the cost of production and thus assist in the gradual revival of the British "heavy" industries.

There are other factors also which point to an improvement. Cheap cotton, though unfavorable to the United States, is generally regarded as a bull factor for the textile industries in Lancashire, since it creates a demand for cotton goods in England's chief market, The East. The artificial silk industry is on a new price and organization basis, for which the past is not significant. Leading textile manufacturers are of the opinion, however, that the mixture of artificial silk will enhance the volume of cotton goods and may thus be beneficial to the textile and "rayon" industry alike.

Provided no further labor disputes occur and conditions continue to favor British interests in Europe, there seems reasonable ground, therefore, for believing that British industry, which for the first time in many years showed an uptrend in the few months preceding the strike, will again show signs of recovery.

A CORRECTION

BUTTE & SUPERIOR has paid three quarterly dividends, each of 50 cents a share this year and in 1925 made a capital distribution amounting to $2 per share. The company's directors, counsel and accountants agreed in their opinion that these distributions would not be subject to Federal Income Tax as would dividends. The company's net earnings this year have shown an improvement and the company's net credit surplus in the first three quarters—the operating profit less depreciation, tax reserve, etc., totals $387,140. In 1925 for the four quarters the net credit was $493,527.

In the opening article of the series of "True Stories About Wall Street" it was stated that Butte & Superior was not paying a dividend at this time and that it was not making much money. Compared with 1923 and 1924 the company has been doing very well although its earnings are not, of course, anywhere near the large earnings which accrued as the result of the war boom. The reference to dividends, of course, should have been explained with the statement that the company is making a capital distribution to its stockholders.

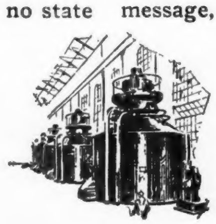
When *Decision men* come to Georgia

When ranking executives — "Decision Men"—come to Georgia to personally inspect the manufacturing advantages of a section which is making unprecedented strides in industrial growth, it is usually but the forerunner of their decision to — Move Their Plant to Georgia.

They find that inter-connecting hydro-electric developments provide unlimited power at a low rate. In many counties they are offered a five-year tax exemption; are shown that the ad valorem tax is very low; that there is no state income tax; no state inheritance tax; an abundant supply of raw material; a wonderful climate with no extremes of heat or cold, and that labor conditions approximate the ideal.

Those from the older industrial centers are most agreeably surprised to find a spirit of genuine cooperation and friendliness between capital and labor.

You will want more detailed information covering power rates, locations, raw material, transportation, taxes, and labor conditions. Make the request upon your business stationery as you finish reading this message, and then plan to come and let us prove to you that greater prosperity awaits you in Georgia.



GEORGIA RAILWAY AND POWER CO.

ATLANTA

NEW YORK OFFICE — 120 BROADWAY

New York Stock Exchange

RAILS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1925 High	Low	1926 High	Low	Last Sale 11/24/26	Div'd $ Per Share
Atchison	125⅝	90¼	111¼	70	140½	91¾	161	122	155⅛	7
Do. Pfd.	106¾	96	102⅛	75	98	72	100½	94⅛	100½	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	262½	181½	211	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	94½	27⅝	109¾	83⅛	105⅜	6
Do. Pfd.	96	77¼	80	48¼	67¾	38⅛	73⅞	67⅛	73	4
Bklyn-Man. Transit	..	..	..	..	64	9¼	70⅝	54⅛	70	4
Do. Pfd.	..	..	..	..	83¾	31⅝	87¼	78	87¼	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	168⅝	146½	164	10
Chesapeake & Ohio	92	51⅛	71	35⅝	130⅛	46	178⅜	112	160	‡8
Do. Pfd.	..	..	..	..	130	96	171	119	†160	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	14⅛	8⅛	10⅛	..
Do. Pfd.	181	130⅛	143	62½	76	7	24	14⅛	20	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	83¾	65¼	79¾	4
Chicago, R. I. & Pacific	..	..	45¾	16	58⅞	19⅛	70⅝	40⅛	69⅛	..
Do. 7% Pfd.	..	..	94¾	44	105	64	106½	96	106⅛	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	96½	83¼	96⅛	6
Delaware & Hudson	200	147½	159⅛	87	160¾	83¼	183½	150¼	173¼	9
Delaware, Lack. & W	340	192½	242	160	260½	93	153½	129	147	6
Erie	61¼	33½	59½	18¾	39½	7	40	22⅛	38⅛	..
Do. 1st Pfd.	49¾	23¼	54¾	15⅛	49¼	11⅛	50¼	33¾	35⅞	..
Do. 2nd Pfd.	39⅛	19½	45⅝	13⅛	46¼	7⅛	47⅛	36	44¼	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	50⅝	80½	68⅛	80⅛	5
Hudson & Manhattan	..	..	..	..	38⅜	20⅝	40	35	39	2½
Illinois Central	162⅛	102¾	115	85¾	125½	80⅞	131	113⅛	120⅛	7
Interboro Rap. Transit	..	..	..	..	39¼	9⅛	52¼	24½	50⅛	..
Kansas City Southern	50¼	21⅜	35⅛	13⅛	51	13	51⅜	44¼	42½	..
Do. Pfd.	75⅛	56	65⅛	40	63⅛	40	68⅜	60⅝	65	4
Lehigh Valley	121¼	62½	87⅛	50⅜	88⅛	39⅛	93⅛	75⅛	91½	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	144	118	131	‡6
Mo., Kansas & Texas	*51⅛	*17⅛	*24	*3⅛	45⅛	*¾	47⅛	29⅛	32⅜	..
Do. Pfd.	*78¼	*46	*60	*6½	92½	*2	95	82	94¼	6
Missouri Pacific	*77½	*21⅛	38⅛	19⅞	41¾	8⅛	45	27	38¾	..
Do. Pfd.	..	..	64⅞	37½	91⅛	22¼	95	71½	91¼	..
N. Y. Central	147¾	90⅜	114¼	62½	137⅛	64⅛	147⅛	117	136	7
N. Y., Chi. & St. Louis	109¾	90	90¾	55	183	23¾	204½	130	191	11
N. Y., N. H. & Hartford	174¾	65⅝	89	21⅛	47	9⅝	48⅜	30⅝	43	..
N. Y., Ontario & W.	55⅜	25⅛	35	17	34¾	14¼	28⅞	19¾	24¾	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	151⅜	84¼	170⅞	139¼	164¼	‡7
Northern Pacific	159⅛	101¾	118⅞	75	99⅞	47⅞	82⅛	65¾	79⅛	5
Pennsylvania	75⅝	53	61⅛	40¼	53⅜	32¼	57⅛	48⅝	56⅛	3½
Pere Marquette	*36½	*15	38⅛	9½	85½	12⅛	113⅛	67	110¼	8
Pittsburgh & W. Va.	..	..	40⅜	17¾	123	21⅛	119⅜	85	115⅝	6
Reading	89⅝	59	115⅛	60⅛	108	51⅞	100¼	79	90	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	42	40	†40⅛	2
Do. 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	44⅞	40	42	2
St. Louis-San Fran.	*74	*13	50⅛	21	102¼	10¾	102	85	101	7
St. Louis Southwestern	40⅜	18⅛	32⅛	11	69¼	10⅞	74	57½	63¼	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	51	27⅛	31	..
Do. Pfd.	56½	23½	58	15⅛	51⅛	3	48⅜	31½	39	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67⅛	110⅝	96⅛	107⅛	6
Southern Railway	34	18	36¾	12⅛	120½	24¾	131¼	103⅝	117⅛	7
Do. Pfd.	86⅞	43	85¼	42	95½	42	95½	87⅛	93⅞	5
Texas & Pacific	40⅛	10¼	29⅛	6⅛	70⅛	14	61⅝	42⅛	50⅜	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	168⅜	141⅛	162⅝	10
Do. Pfd.	118⅛	79¾	86	69	80	61⅛	81¼	74⅜	80	4
Wabash	*27⅞	*2	17⅛	7	47¼	6	52	33⅞	40¼	..
Do. Pfd. A	*61¾	*6⅛	60⅛	30⅞	73⅞	17	78¾	68	74⅜	5
Do. Pfd. B	..	..	32⅞	18	60⅛	12¼	72	57	†60	..
Western Maryland	*56	*40	23	9¼	18⅜	8	16⅝	11	†12	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	*30	11	24⅜	16⅜	†20¾	..
Western Pacific	..	..	25½	11	40	12	39¼	32¾	†34	..
Do. Pfd.	..	..	64	35	86⅛	51⅛	86¾	77⅛	81⅝	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	32	6	32	18	26⅞	..
Do. Pfd.	..	..	50⅝	16⅝	53⅛	9¼	50½	37	44¾	..

INDUSTRIALS

	Pre-War 1909-1913 High	Low	War 1914-1918 High	Low	Post-War 1919-1925 High	Low	1926 High	Low	Last Sale 11/24/26	Div'd $ Per Share
Adams Express	270	90	154½	42	117¼	22	136	99⅞	126¾	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	16	7⅛	7¾	..
Allied Chem. & Dye	..	..	..	..	116⅝	34	147	106	136¼	4
Do. Pfd.	..	..	..	..	121¼	83	122¼	118¾	†121	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	97¼	26½	94⅛	78¼	†87⅛	6
Do. Pfd.	43	40	92	32½	100	67⅛	110½	105	110	7
Am. Agric. Chem.	63⅝	33⅛	106	47¾	113¾	7⅛	34⅜	9	14	..
Do. Pfd.	105	90	103½	89⅛	103	18¾	96½	35⅝	46½	..
Am. Beet Sugar	77	19¾	108⅛	19	103¾	24½	38¾	20½	27	..
Am. Bosch Magneto	..	..	..	..	143⅞	28¼	34⅜	16	17	..
Am. Can	47⅜	6⅞	68⅛	19¼	*297¾	*21	63⅛	38⅞	52	2
Do. Pfd.	129¼	98	114½	80	121⅞	72	126⅞	121	†125	7
Am. Car & Foundry	76½	36½	98	40	*201	97⅛	114⅞	91½	101	6
Do. Pfd.	124¾	107½	119½	100	128	105¾	129¼	120½	124⅞	7
Am. Express	300	94¾	140½	77½	17	76	140	105⅞	128	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	17½	7	†8	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	67¼	33⅛	46½	..
Am. Ice	..	..	49	8⅞	139	87	136	109	129	‡8
Am. International	..	..	62¾	12	132¼	17	46¾	31¾	38¾	..
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	87	67¾	76	7
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	119⅞	90¼	109¼	8
Do. Pfd.	122	75	109	93	124	96½	120¼	114	†118⅛	7
Am. Metal	..	..	..	..	57⅝	38¾	57⅜	44¾	†46½	4
Am. Radiator	*500	*200	*445	*235	*345	64	122⅜	101¼	109¼	5
Am. Safety Razor	..	..	..	..	76¾	*3¼	70¾	42	63	3
Am. Ship & Commerce	..	..	..	..	47½	4⅜	11⅞	5⅛	6	..
Am. Smelt. & Ref.	105⅛	56⅝	123¾	50¼	144½	29¼	153	109⅝	134	8
Do. Pfd.	116¾	98¼	118⅞	97	115¼	63¼	120¼	112⅞	†119¼	7
Am. Steel Foundries	74⅛	24⅛	95	44	50	18	47	40	44	3
Do. Pfd.	..	..	..	..	113⅛	78	115	110¼	†113	7
Am. Sugar Refining	136⅝	99⅞	126⅛	89¼	143⅜	36	87⅛	65¼	85½	5
Do. Pfd.	133⅛	110	123⅛	106	119	67⅛	110	100	109½	7
Am. Sumatra Tobacco	..	..	145¾	15	120⅛	6	42⅛	29¼	40⅛	..
Am. Tel. & Tel.	153⅜	101	134⅛	90⅝	145	92⅛	150⅜	139⅝	149⅛	9

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1925 High	Post-War Period 1919-1925 Low	1926 High	1926 Low	Last Sale 11/24/26	Div'd $ Per Share
Am. Tobacco	*530	*200	*256	*123	*314½	82¼	124¾	111⅜	119½	8
Do. Com. B	..	..	..	..	*210	81¼	124	110½	118½	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	74	43¾	59	1.20
Am. Woolen	40⅝	15	60⅞	12	169½	34¾	42⅞	19	33⅜	..
Do. Pfd.	107¾	74	102	72½	111⅞	69½	89¾	66	86⅞	7
Anaconda Copper	54⅜	27½	105⅜	24¼	77⅞	28⅛	51⅞	41⅛	48⅛	3
Associated Dry Goods	..	..	28	10	*140⅛	46½	54⅞	37¼	42¼	2½
Do. 1st Pfd.	..	..	75	50½	102	49⅞	102½	96	101½	6
Do. 2nd Pfd.	..	..	49⅛	35	108	38	108	102	105¼	7
Associated Oil	..	..	*78¾	*52½	*142	24⅞	59½	44¾	†50¾	‡2
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	68⅜	29	39	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	56¼	33¼	39⅞	..
Atlantic Refining	..	..	..	..	*1575	78½	128⅜	97	102⅞	..
Austin Nichols	..	..	..	..	40⅝	8	28	7⅛	8¾	..
Do. Pfd.	..	..	..	..	95	50⅝	93	54	58⅛	7
Baldwin Locomotive	60¾	36½	154½	26⅝	156¼	62¼	153⅞	92⅞	152	7
Do. Pfd.	107½	100¼	114	90	118	92	119¼	105	119¼	7
Bethlehem Steel	*51⅝	*18¾	155⅛	59¾	112	37	51⅛	37¼	44¼	..
Do. 7% Pfd.	80	47	186	68	108	78	105	99	104¼	7
Brooklyn Edison Electric	134	123	131	87	156½	82	163	133	158¾	8
Brooklyn Union Gas	164⅛	118	138¾	78	*128	41	97¼	68	94½	4
Burns Brothers	45	41	161½	50	147	76	144	121	128	10
Do. B	..	..	..	..	53	17	44	26½	29⅝	2
Butte & Superior	..	..	105¼	12¼	37⅞	6⅛	16¼	7⅛	†12	2
California Packing	..	..	50	30	136½	48¼	179½	66¼	68¼	4
California Petroleum	72⅛	16	42⅝	8	71⅞	15⅜	38⅛	29¾	30⅞	2
Central Leather	51¾	16⅛	123	25⅞	116½	9⅝	20½	7	8¼	..
Do. Pfd.	111	80	117½	94⅞	114	28½	68¾	43½	53½	..
Cerro de Pasco Copper	..	..	55	25	67½	23	73½	57½	63	4
Chandler Motor	..	..	109⅞	56	141¼	26⅞	26	8½	8⅝	..
Chile Copper	..	..	39¼	11¼	38⅜	7	36⅜	30	32½	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	14¾	26	16	†25⅝	..
Chrysler Corp.	..	..	..	..	*253	*108¼	54⅞	28½	36	3
Do. Pfd.	..	..	..	..	111⅞	100⅛	108	93	†101¼	8
Coca Cola	..	..	..	..	177¾	18	168⅞	128	165¼	7
Colorado Fuel & Iron	53	22½	66½	20½	56	20	49⅜	27⅜	42⅜	..
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	90	63½	87⅛	5
Congoleum-Nairn	..	..	..	..	*184⅜	15⅞	29⅜	12½	18⅛	..
Consolidated Cigar	..	..	..	..	80	11⅜	86¼	45¼	84½	7
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	115⅜	87	111	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	92½	70	72¾	5
Corn Products Refining	26⅛	7⅜	50½	7	*160½	21½	50½	35⅝	49⅝	‡2
Do. Pfd.	98½	61	113½	58⅛	127	96	129⅛	122½	127	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	48	81½	64	76	5
Cuba Cane Sugar	..	..	76⅝	24⅞	59⅜	5⅝	11½	8⅝	11	..
Do. Pfd.	..	..	100½	77¼	87	13⅛	49⅝	35½	47¼	..
Cuba-American Sugar	*58	33	*273	*38	*605	10⅞	30⅜	20¼	27¾	1
Cuyamel Fruit	..	..	..	..	74½	44	51	34	36	4
Davison Chemical	..	..	..	..	81¼	20⅜	46¾	23⅛	27⅜	..
Dupont de Nemours	..	..	..	..	271¼	105	171¼	157	169¼	‡7
Eastman Kodak	*No Sales		*605	*605	*690	70	123	106⅝	122½	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	94⅛	71⅛	84	‡5
Endicott-Johnson	..	..	..	..	150	44	72⅝	65½	68½	5
Do. Pfd.	..	..	..	..	119	84	120	114	†116	7
Famous Players-Lasky	..	..	..	..	123	40	127⅛	103⅛	116⅛	‡8
Do. Pfd.	..	..	..	..	120	66	124	115	†121¼	8
Fisk Rubber	..	..	..	..	55	5½	26¼	14¼	17½	..
Do. 1st Pfd.	..	..	..	..	116½	38⅛	84¼	76⅞	79	7
Fleischmann Co.	..	..	..	..	*171½	*75	56½	32¼	49½	‡2
Foundation Co.	..	..	..	..	183¾	58½	179¾	76¾	83½	8
Freeport-Texas	..	..	70½	25¾	64⅜	7½	34½	19⅝	31⅝	..
General Asphalt	42⅞	15½	39⅜	14¼	160	23	94¼	50	80⅝	..
General Cigar	..	..	..	..	115¼	47	59½	46	53	4
General Electric	188⅛	129¾	187¼	118	337¼	109½	95½	79	85	‡3
General Motors	*51¾	*25	*850	*74⅛	149¾	*8⅛	173½	137¼	139¼	‡7
Do. 7% Pfd.	..	..	..	..	115	95⅛	120¾	113½	120	7
Goodrich (B. F.) Co.	86½	15½	80¼	19⅝	93⅜	17	70¾	44¾	45⅞	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109⅛	62⅛	100	95	96¾	7
Goodyear T. & R. Pfd.	..	..	..	..	114⅝	35	109⅞	98½	†99⅞	7
Do. Prior Pfd.	..	..	..	..	109	88	109	105⅜	†106½	8
Granby Consolidated	73¼	26	120	58	80	12	36¾	16⅛	36½	..
Great Northern Ore Ctfs.	88⅛	25½	50⅜	22⅛	52¾	24⅞	27¼	18¼	19¼	1½
Gulf States Steel	..	..	137	58¾	104⅝	25	93⅜	51⅜	57¼	5
Hayes Wheel	..	..	..	..	52⅞	30	46	21⅞	22	‡3
Houston Oil	25⅛	8¼	86	10	116¼	40½	72	50¼	55	..
Hudson Motor Car	..	..	..	..	139½	19½	123¼	40¾	36	3½
Hupp Motor Car	..	..	11¾	2⅛	31	4⅝	28⅜	17	21	1.40
Inland Steel	..	..	..	..	50	31⅛	43½	34½	40	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	22⅛	28⅝	20¾	27	2
Inter. Business Mach.	..	..	52⅝	24	176¼	28¾	54¾	38⅛	53½	3
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	64½	33½	44	2
Inter. Harvester	..	..	121	104	149⅝	66¾	138½	112¼	135¾	6
Inter. Merctl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	12⅜	6	†7	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	18½	46⅜	27	34⅜	..
Inter. Nickel	*227¼	*135	57½	24½	48⅛	24¼	46¼	32⅜	36⅝	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	63¾	44⅛	†56½	2
Kelly-Springfield Tire	..	..	85¼	36⅞	164	9¾	21½	9	9½	..
Do. 8% Pfd.	..	..	101	72	110	33	74¾	43½	†41	..
Kennecott Copper	..	..	64¼	25	59¼	14⅝	64¼	49¾	62⅞	5
Kinney (G. R.) Co.	..	..	..	..	103	35½	82⅛	39	39	4
Lima Locomotive	..	..	..	..	74⅞	52	69¾	53½	63	4
Loew's, Inc.	..	..	..	..	44¾	10	48¼	34¼	45	‡2
Loft, Inc.	..	..	..	..	28	5⅛	11¼	6	6⅛	..
Lorillard (P.) Co.	*215½	*150	*239⅞	*144½	*245	30¼	42¼	27¾	42⅝	2
Mack Trucks	..	..	..	..	242	25⅛	159	89⅝	98½	6
Magma Copper	..	..	..	..	46	26⅛	44⅞	34	37	3
Mallinson & Co.	..	..	..	..	45	8	28⅛	12⅝	16¾	..
Maracaibo Oil Explor.	..	..	..	..	37½	16	28⅞	16½	†18½	..
Marland Oil	..	..	..	..	60⅛	12⅛	63⅜	49¼	54	4

(Please turn to next page)

New York Stock Exchange

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1925		1926		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	High	Low	11/24/26	Share
May Department Stores	*88	*65	*97½	*35	*174¾	*60	145¼	106⅞	137¼	8
Mexican Seaboard Oil	..	..	..	..	34½	5¾	13¾	6	8¼	..
Montgomery Ward	..	..	..	..	82½	12	82	56	65	4
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	98½	74	95	‡4
National Dairy Prod	..	..	..	..	81⅞	30⅛	80	53	70⅝	3
National Enam. & Stamp	30¼	9	54½	9	89½	18½	40½	21⅛	†26	..
National Lead	91	42½	74⅝	44	174¾	63⅛	174¾	138	†150½	8
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	46¾	36½	42	3
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	45⅞	32	35¼	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	67	42	49⅛	§10%
Do. Pfd.	..	..	..	..	50½	31⅞	52¼	49	50¾	3
Packard Motor Car	..	..	..	..	48½	9⅞	45¼	31¾	35⅛	‡2.40
Pan.-Am. Pet. & Trans.	..	..	70¾	35	140¼	38⅛	76½	56⅛	62¼	6
Do. Class B	..	..	..	..	111¾	34⅛	78⅜	56⅞	62¼	6
Philadelphia Co.	59¼	37	48⅞	21½	68¾	26½	89	59⅛	86½	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	48⅜	36¼	44	..
Phillips Petroleum	..	..	..	..	69⅝	16	52¾	40	52½	3
Pierce-Arrow	..	..	65	25	99	6⅛	43⅛	19	23¼	..
Do. Pfd.	..	..	109	88	111	13½	127¼	76½	110⅜	8
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	37¼	42½	29	†32	..
Postum Cereal	..	..	..	..	*134	*47	124⅞	75½	97¾	5
Pressed Steel Car	56	18½	88¼	17¼	113¾	39	43½	34⅛	43	..
Do. Pfd.	112	88½	109⅛	69	106	67	87½	78½	83⅛	7
Pub. Serv. N. J.	..	..	..	..	87⅞	29	33¼	31¼	33¼	2
Pullman Company	200	149	177	106½	173½	87¼	199½	145¼	189⅛	8
Punta Alegre Sugar	..	..	51	29	120	24¾	47	33	44½	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	31	25¼	26¾	‡1½
Radio Corp. of Am.	..	..	..	..	77⅞	25⅞	61⅝	32	57⅞	..
Ray Consol. Copper	27½	7⅛	37	15	27½	9⅞	16¾	10½	†16⅛	¼
Replogle Steel	..	..	..	..	93½	7¼	15⅞	8	9¾	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	63⅝	44	55⅞	4
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	99	91¼	96½	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	57⅜	47⅜	†49	3.078
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	102½	73	78	4
Schulte Retail Stores	..	..	..	..	134⅞	88	52½	42½	45⅝	§8%
Sears, Roebuck & Co.	124¾	101	233	120	243	54¼	58⅜	44¼	52¾	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	48⅝	40½	†43	2.17½
Shell Union Oil	..	..	..	..	28⅜	12⅛	30⅞	24	30¾	1.40
Simmons Company	..	..	..	..	54⅝	22	54½	28⅜	31½	‡2
Simms Petroleum	..	..	..	..	28½	6½	28⅝	15⅛	18¼	1
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	24⅞	16¾	17⅝	..
Skelly Oil	..	..	..	..	35	8⅝	37⅛	26⅝	33½	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	143½	32⅛	142½	103	†125	6
Standard Oil of Calif.	..	..	..	..	*135	47½	63⅝	52⅝	58⅛	2
Standard Oil N. J.	*448	*322	*800	*355	*212	30⅞	46⅜	39	41	‡1
Do. Pfd.	..	..	..	..	119⅛	100⅛	119⅛	115¼	117⅛	7
Stewart-Warner Speed.	..	..	*100½	*43	*181	21	92⅞	61	68	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	77¼	55½	†56	6
Studebaker Company	49½	15¾	195	20	*151	30½	62	47	51½	5
Do. Pfd.	98⅛	64½	119½	70	125	76	122½	114½	†118¼	7
Tennesse Cop. & Chem.	..	..	21	11	17¼	6¼	16	10¾	11⅛	1
Texas Co.	144	74½	243	112	57¾	29	58	48	54½	3
Texas Gulf Sulphur	..	..	..	..	121⅞	32⅝	51⅞	39	51¾	4
Tex. & Pac. Coal & Oil	..	..	..	..	*275	30¼	19½	12	14½	..
Tide Water Oil	..	..	225	165	195	5½	39¼	27¼	†27	1½
Timken Roller Bearing	..	..	..	..	59⅜	28½	85⅜	44⅞	79¾	‡4
Tobacco Products	145	100	82⅜	25	115	45	116⅝	95¼	108¾	7
Do. Class A	..	..	..	..	110⅜	76½	118⅜	103	113⅝	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	5½	3	4	..
Union Oil of Calif.	..	..	..	..	43⅜	33	58⅜	37¼	52⅛	2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	109¾	83⅛	95½	§2
United Drug	..	..	90⅞	64	175⅛	46¼	171	134	162	8
Do. 1st Pfd.	..	..	54	46	58⅛	36⅝	59	55½	58⅝	3½
United Fruit	208½	126½	175	105	246	95¾	123½	98	122	4
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10½	248½	150	216¼	10
Do. Pfd.	84	40	67½	30	113	38	109	100¼	†106	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35¼	82	45⅜	77⅜	..
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17¼	71⅞	48⅛	59½	4
U. S. Rubber	59½	27	80½	44	143¾	22½	88¼	50¼	59⅝	..
Do. 1st Pfd.	123½	98	115½	91	119½	66½	109	101½	107	8
U. S. Smelt., Ref. & Min.	59	30⅜	81½	29	78¼	18⅜	49⅞	30	†35⅜	3½
U. S. Steel	94⅞	41¼	136⅝	33	139¼	70¼	159⅝	117	147⅜	7
Do. Pfd.	131	102½	123	102	126⅝	104	130⅛	124½	129	7
Utah Copper	67½	38	130	48½	111	41⅞	116	93	113	5
Vanadium Corp.	..	..	..	..	97	19⅛	43	29	†41	3
Western Union	86¼	56	105½	53⅜	144⅞	76	157⅞	134⅛	146	8
Westinghouse Air Brake	141	132½	143	95	144	76	139½	105¼	133½	7
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	79½	65	68¼	4
White Eagle Oil	..	..	..	..	34	20	29¾	25⅛	25¾	2
White Motors	..	..	60	30	104½	29¼	90	51⅛	57⅛	4
Willys-Overland	*75	*50	*325	15	40¼	4½	34	18	21¾	..
Do. Pfd.	..	..	100	69	123⅞	23	99	88½	92½	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	12½	6	10	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	222	135¼	193	‡4
Worthington Pump	..	..	69	23½	117	19⅞	44¾	19	21	..
Do. Pfd. A	..	..	100	85⅞	98⅛	65	80	49	49	..
Do. Pfd. B	..	..	78⅜	50	81	53½	65	38	40	..
Youngstown Sh. & Tube	..	..	..	..	92½	59¾	95¼	69	85¼	4

* Old stock. † Bid price given where no sales made. ‡ Not including extras. § Payable in stock. (a) Paid this year.

Securities and Commodities Analyzed, Rated and Mentioned in this Issue.

PUBLIC UTILITIES

RAILROADS

COMMODITIES

PETROLEUM

BONDS

INDUSTRIALS

ANSWERS TO INQUIRIES

(Continued from page 250)

I ought to sell my stock?—F. A. W., Brooklyn, N. Y.

American Brown Boveri Corporation represents an outgrowth of the New York Shipbuilding Corp., adapted to meet the American requirements of the Brown Boveri Company of Switzerland. The latter is one of the largest electrical companies in the world, having affiliations in fifteen European countries. Capitalization consists of 6.58 million of funded debt, 395,256 no par shares of participating stock, and 300,000 no par founders' shares. The company has about 9.5 millions of working capital. For the six months ended June 30, 1926, the company reported net income, before Federal taxes, of $949,476, equal to $2.13 a share on the participating stock. Owing to the extreme youth of the company no comparisons with previous years are possible. Considering the nature of the enterprise and its strong affiliations it is quite probable that it will eventually succeed in establishing a substantial and lasting earning power. However, the progress shown to date and visible prospects for the future seem well discounted marketwise with the result that the shares do not appear in the light of attractive holdings. We believe they will be available to somewhat better advantage and suggest you act accordingly.

SIMMS PETROLEUM

Early this year I purchased 50 shares of Simms Petroleum common stock at $26 a share. The company had brought out a statement showing earnings equal to $3.85 a share in 1925, and the stock looked very cheap to me at that price. My investment has proved rather an unfortunate one, since I now have a paper loss of over $350, figuring on the basis of present quotations. I am puzzled to account for this very drastic decline in Simms. Would you advise me to average my holdings at these low prices? I understand the company is in sound condition.—R. A. L., Birmingham, Ala.

The decline in the market valuation of Simms Petroleum is a natural reflection of the greatly diminished profits of the company in the year to date as compared with those of 1925. For the nine months ended September 30, 1926, the company reported net profits of $653,765 after all deductions, equal to 95 cents a share on the 686,765 capital shares of $10 par outstanding. This compares with $2,307,760 or the equivalent of $3.38 a share on the common in the first nine months of 1925. The company, according to latest accounts, is in what might be termed fair financial condition. As of August 31, and after giving effect to the sale of $3,431,500 of three-year convertible notes, cash and investments were carried on the books at 3.72 millions, against 3.3 millions on June 30, 1925. The financing referred to in the foregoing permitted the elimination of about $900,000 of bank loans. Viewing the serious decline in net since that time we

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ECONOMIC TRENDS IN THE ELECTRICAL INDUSTRY

Streams flowing down will pull trains up

From the observation platform you see rushing streams whose energy might haul trains across mountains.

Although electrical managers develop water power as rapidly as commercially profitable, only one-fifth of this potential energy is in use today.

Electrification of railroads in certain mountainous districts already has been accomplished. As populations increase, as industry grows, as long distance transmission is improved, more and more water power will be turned into electricity.

Fifty-five million horsepower, estimates the Federal Power Commission, is the total available. But if all that could be called into service tomorrow, it would not provide for existing installations using electric service. These now require in excess of fifty-six million horsepower.

Water power furnishes one of the great opportunities for the industry. How rapid development will be depends on demand near water-power sites. While 79 per cent of the nation's power needs are east of the Mississippi, 72 per cent of water power resources are west of the Mississippi.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY, EAST PITTSBURGH, PA.

Westinghouse

In the first hydro-electric plant in the United States—at Oregon City, Oregon—Westinghouse equipment was installed. Rapid development of water power is aided by Westinghouse automatic control of power plants from a central location.

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await with interest the publication of the next official balance sheet. The principal cause of Simms' poor showing was a decided falling off in production, but it is important to note that early in 1925 Simms realized $600,000 more profit on sales of inventory oil than in this year. Simms' production has shown signs of increasing and the company may do somewhat better in later months, but the circumstances explained rob the shares of much of their speculative flavor. We believe a switch to Barnsdall A would be advantageous.

STROMBERG CARBURETOR

I have been a reader of your Magazine for some time, but have seen very little in your columns regarding the affairs of Stromberg Carburetor. This has been disappointing to me, since I am holding 25 shares of the stock which I purchased in 1923, at $78 a share. The company made a very good showing in 1925, but I have had difficulty in procuring information covering 1926, and especially recent operations. Do you think Stromberg will equal my purchase price in the reasonably near future? Should I switch to another stock?—E. E. D., Boston, Mass.

Stromberg Carburetor, in common with most companies operating in the automotive field, made a very good showing in the 1925 season. Net income was equal to $7.87 a share on the 80,000 no par capital shares, compared with $7.02 in 1924. In the first quarter of this year Stromberg earned $1.68 a share, $2.52 a share in the second quarter, and $2.05 in the third. This brings total net for nine months up to $6.26 a share, compared with $7.81 a share in the first nine months of 1925. The final quarter is generally the poorest, and hence, returns from the forthcoming period will hardly augment earnings to an appreciable extent. Stromberg Carburetor appears to some advantage when compared with other specialty manufacturers in this field but with dividends being covered only by a small margin and with a period of keener competition and lower profits clearly indicated it is evident that a solid foundation does not exist upon which to base the expectation of material price appreciation in the reasonably near future. The shares may possibly be available to somewhat better advantage. If you are contemplating a switch we would suggest giving consideration to Texas Company, a sound investment issue retaining some speculative possibilities.

REPUBLIC IRON & STEEL

Why is it that Republic Iron & Steel common stock remains in the fifties when to all intents and purposes the company is enjoying the greatest prosperity in years? I have always been a great believer in Republic, and have been a stockholder of many years standing. I find the market action of the stock very puzzling, and while my confidence in the ultimate outcome remains unshaken, I would like to know what constitutes "the nigger in the wood pile."—J. J. M., Atlanta, Ga.

If Republic Iron & Steel had not shown variable earnings from year to year and if transitions from prosperity to leanness had not occurred with disconcerting frequency, it is probable that the very handsome showing of the company in the year to date would

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have received more substantial recognition marketwise. Nine months' profit totaled 3.75 millions, or $8.14 a share on the common, against 2.5 millions, or $3.95 a share in the same period of 1925. These figures compare with a total of $6.87 a share in 1925, 55 cents a share in 1924 and $15 a share in 1923. If its past record can be accepted as a criterion one has not assurance that its present mild prosperity will be continued over a protracted period of time. Nevertheless, it would be folly to ignore the fact that the financial position of the company has been improved, and that the volume of unfilled orders on hand assures profitable operations well into the first of the year. Allowing for a possible decline in net in the final quarter it is reasonable to expect that Republic will earn somewhere around $10 a share on the common as the result of the year's operations. This is a very excellent showing and if it were not for the rather uncertain outlook for the steel industry in general we might be inclined to rate the stock as attractive from a speculative viewpoint. As it is, we feel that where one owns the stock he would be justified in temporarily maintaining a long position.

AMER. AGRICULTURAL CHEM.

With one exception my investments of the past two years have turned out very well. Thanks to your advice I have eliminated those of my holdings that were in a weak position, and now carry only sound dividend paying issues. The exception referred to is American Agricultural Chemical. I bought this stock many years ago and for purely sentimental reasons carried it through the heavy decline. I notice the stock has shown some signs of strength lately. Do you think the recovery will carry much further?—N. S. A., Bellaire, N. Y.

Due to the state of near-demoralization existing in the fertilizer industry following the war, American Agricultural Chemical Company passed through a very trying period. Earnings declined to the vanishing point and a heavy profit and loss deficit was incurred. From 1921 to 1924 the company operated on an unsatisfactory basis, but in 1925 a decided improvement was shown, net income amounting to over 2 millions, against about $112,000 in the previous year. The latest report, that covering the fiscal year ended June 30 last, was disappointing, showing a fifty per cent decline in net. This falling off was attributed to a smaller volume of tonnage sold, and keener competition. The publication of this report was followed by a precipitate decline in the market valuation of the shares. However, present low quotations seem to discount the worst aspects of the situation, and considering the fact that the company now presents a picture of sound finances, and is well situated to derive the maximum of benefits from future operations, we do not anticipate a further drastic decline in values. We can offer you very little encouragement for the immediate future but feel that if you employ a measure of patience the results achieved will justify holding.

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GENERAL MOTORS

What procedure do you advise me to follow in regard to my holding of General Motors shares? I bought the old stock on your advice at 123½, and now have a most satisfactory paper profit, and have also received large cash returns. However, I hear disquieting rumors regarding the automobile industry in general, and wonder if it would not be well for me to "cash in." Please advise me.—B. K., Philadelphia, Pa.

We were very favorably disposed toward General Motors common stock at levels materially below those now prevailing but feel that this issue has advanced to a point where it is selling fully in line with its actual worth. Admittedly, the company is enjoying the greatest prosperity in recent years, having earned 136.9 millions net in the first nine months of this year, against 74.2 millions in the same period of 1925, but it is clearly indicated that a period of keener competition lies ahead in the automotive industry, somewhat morally certain to affect the earnings of companies even as strongly entrenched as General Motors. Hence, it is logical to believe that the high point in the company's prosperity has been reached, at least for the time being. The market invariably discounts future prospects rather than past performances, and hence, it does not appear that further material price appreciation in General Motors stock is warranted. We suggest accepting your profits.

MONTGOMERY WARD

In 1925 I purchased 50 shares of Montgomery Ward common stock as a long pull speculation, but the company has gone ahead so rapidly since that time, and the stock now carries a dividend, that I have been wondering if I would not be justified in treating it as a permanent investment. I noticed a favorable report on Montgomery Ward in the inquiry column some time ago; has anything happened to cause you to change your opinion? Also tell me if there is any truth to the rumor that this company will consolidate with Sears-Roebuck.—J. G. M., Minneapolis, Minn.

Although Montgomery Ward ranks second in point of volume of sales in the mail order business in the United States, this company is the oldest operating in this field and conducts a greatly diversified business, international in scope. The company fared rather badly in the industrial depression which followed the war, but its record since 1922 has been of remarkable expansion both in scope of operations and earning power. During that period sales volume rose from 84.7 millions in 1922 to 170.5 millions in 1925, while net income increased from 4.56 millions to 11.35 millions. Finances, too, have shown consistent improvement, the last official balance sheet revealing working capital of approximately 34 millions, compared with 18.3 millions at the end of 1922. The company now has no bank loans outstanding and the only obligation ahead of the common (aside from two issues of preferreds) is 5.75 millions mortgage bonds of a subsidiary. Earnings in 1925 were equal to $8.05 a share on the common, but preliminary reports would indicate that 1926 net may approach a higher level. The outlook both from a trade and earning standpoint is opti-

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mistic. Reports have been current that this company would contract an alliance with Sears-Roebuck, but stockholders have President Merseles' assurance that an independent course will be continued. Montgomery Ward stock must be viewed primarily from the speculative angle, but it seems attractive in its class and might be held with a view to developments.

WILCOX OIL & GAS

When my father died about a year ago he left among some few other investments, 100 shares of Wilcox Oil & Gas. This stock has paid me rather generous dividends, but I know nothing about the company and wonder if it is exactly the right kind of a security to hold. Through financial reverses I was obliged to accept a post teaching school, and cannot very well afford to suffer any further loss of income. Shall I continue to hold this stock?—(Miss) A. F. C., St. Louis, Mo.

Whether or not the stock of an oil producing company is suitable as an investment for one in your circumstances is open to some question, but as the result of an investigation we have conducted we are influenced to revise our previously expressed unfavorable opinion of this stock. We believe that Wilcox dividends are reasonably secure and further, that a favorable speculative element is attached to the shares. The statement of this company covering nine months' operations shows a substantial gain in net registered over the same period of last year. Net income (before write-offs) amounted to approximately 2.6 millions, equal to $6.70 a share on the 388,222 shares outstanding, comparing with 1.65 millions or $4.20 a share in nine months of 1925. Further, the company has shown good progress toward placing its financial house in order. We have ascertained that Wilcox has no bonds, mortgages, notes or any other fixed liabilities outstanding, and only current indebtedness to take care of. Production is estimated to be running around 9,500 barrels daily, a figure which could be considerably increased should conditions warrant. Wilcox has been disposing of a large volume of oil to Sinclair and although this latter company has recently met price reductions in mid-Continent fields, Wilcox has had the advantage of higher-than-average quotations to an extent that final quarter returns should compare favorably with those of earlier months. On the basis of this showing, while Wilcox must be viewed primarily as a speculation, it is not unattractive as such, and seems to hold forth some promise of price appreciation.

The Magazine of Wall Street has compiled a list of books on Speculation, Economics and Business subjects published by other companies. All of these books have been read by our Staff of experts and we heartily recommend them to our readers. We invite further correspondence about this list. Address your inquiries care of Book Department.

AN IMPORTANT STOCK MARKET METAMORPHOSIS

(*Continued from page* 211)

and crude now being reported, should not be viewed with too great pessimism; for this is the season of the year when such reductions may normally be expected.

The miniature chart in this section shows, as the reader will recall, that there have been at least three false starts in the petroleum group this year. Comparison of this group with the general average of the market as a whole, however, tells a somewhat different story. Our petroleum index held well above the Combined Average of 238 stocks until the middle of July, when the two crossed. Within a month it was selling 5% below the Combined Average, where it held until the upturn that began early in October. Thus far the rate of recovery in the petroleum index has not been rapid enough, however, to again bring it above that of the market as a whole; and during the past few weeks there has been a tendency to slip back.

Divergences in the year's progress of individual issues have been striking, although only two of the 31 within our group index have experienced what might be styled a bear market. Companies which merged with others this year have made good stock market records. Tidewater is up 21%; Pacific Oil, up 11%; and General Petroleum, up 10%. Union Oil of California has advanced 30% on merger prospects.

As a group, the oils are in a neutral market position, with the immediate outlook uncertain but the longer range outlook favorable for the larger and stronger companies.

INSURANCE DEPARTMENT

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further, that he applies $5,050 to purchase a life insurance policy of $10,000 on his life payable at death, and that he applies the balance of $4,950 to purchase an annuity. The amount of annuity he will obtain for $4,950 would be $365 a year, payable in semi-annual instalments. This annuity represents 3.65% annual return on his total investment of $10,000. He will draw this income as long as he lives and the $10,000 would be payable in cash to his beneficiary when he dies. Since government bonds at the present price yield about the same and give no guarantee that they will yield as much ten years hence, it can readily be seen that the investment above outlined is a favorable one, as it also carries the taxation privileges and other incidental advantages outlined under the Single Premium Policy described. It is a lifetime investment of gilt edge character.

INCREASE YOUR INCOME WITHOUT SPENDING AN EXTRA CENT

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as good—and they quite likely are since they were sold on the same yield basis —it must be equally apparent that from the tax angle, the State B bonds would make the better purchase.

Capital Gains and Losses

Are there similar tax refinements under circumstances not involving tax-exempt securities? The answer is most emphatically yes. A few examples will suffice.

The difference between an ordinary gain and a "capital gain" is now perhaps well understood. Briefly, a profit realized from the sale or conversion of property held for more than two years is a capital gain. As such, the tax rate upon such profit is limited to 12½%. The tax can be less than 12½% but not any more. This means that an individual who ordinarily will be taxed at the maximum rates if his income is large enough, would have his tax on such a particular transaction cut in half.

Employing some figures, let us take the case of a man who has bought some securities on January 2, 1925, for $20,000 and who sells them on December 30, 1926, for $30,000, thus making a profit of $10,000. It will be seen that the securities were not held quite for two years. Therefore, the right to consider the gain as a "capital gain," has been lost. What is the effect? That depends entirely upon what this particular individual's income is from other sources. If his income is around $30,000, the loss is about $150. If his income is much higher, around $100,000 or over, the additional cost in taxes is $1,250. In other words, that is what he might have saved in taxes had the sale been consummated a few days later.

An important point must here be noted; if the transaction were to show a loss instead of a profit, the advantage to the individual in this case would be on the side of selling before the expiration of the two years instead of afterwards. This is because the capital gain provision is equally as applicable to losses as it is to gains, so that where a loss is taken after the two-year period, the tax benefit resulting from such a loss as an offset to other income, is limited to 12½%.

Sales Before Redemption or Maturity

Right in connection with the question of when to sell in order to qualify under the capital gain provisions, there is an important difference between stocks and bonds when such securities are taken up either by redemption or call. Thus, when a stock is redeemed,

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the capital gains provision apply, exactly the same as set forth in the illustration used. This, however, is not true of a bond.

One who is taxable at a rate higher than 12½% and is about to realize a profit on a bond which he has held for more than two years, can often make a substantial tax saving by selling any time before the maturity of the bond. This is for the reason that the funds received upon maturity or redemption of a bond are considered as the repayment of a debt and, therefore, not governed by the capital gain or loss provisions. Necessarily, therefore, it would also be true that where a loss is involved on such a bond under similar circumstances, it would be detrimental to sell the bond before maturity, but there would, instead, be a distinct tax advantage in holding to maturity.

Ex-Dividend Sales

A difference in tax rates can result not only if the sale is made within or without the two-year period, but in the case of a stock also, if it is made either before or after a dividend has been declared. Ordinarily, the price at which a stock sells immediately before the declaration of a dividend embodies the very dividend as part of the price. Similarly, the price quotation immediately after the declaration of the dividend will usually be reduced by the amount of such dividend, so that an investor may figure that he is just as well off selling prior to the dividend instead of selling the following day ex-dividend.

Concretely, if a stock should go ex-dividend $5 tomorrow and the stock is today selling at 105, one would receive the same amount of money for the same stock if sold the following day ex-dividend, all other things being equal. The tax effect, however, can be substantially different in large transactions. The difference is primarily in the normal tax from which dividend is exempt but to which the profit is taxable.

Again taking an example, assume the cost to be par and the sale price 105 immediately before the dividend. The $5 profit is subject to normal and surtaxes. Assume, on the other hand, the sale ex-dividend to be at par, therefore no profit, the $5, however, being received as a dividend. Such dividend is not subject to normal tax. *One wonders to what extent investors or security dealers give consideration to just such an element in their daily dealings.*

Dividends

Investors quite generally understand that the same amount of income from dividends on stock is less costly, from a tax angle than a similar amount of income from bond interest. The difference is, of course, the result of the normal tax, for while income from interest is taxable at both normal and surtax rates, *dividends are taxable at*

surtax rates only. This is the kind of a difference that is quite generally understood. Here, however, is a tax refinement in connection with dividends not so generally understood, but often of extreme importance. It is the difference between the tax effect of an ordinary dividend and a dividend in the liquidation or reorganization of a company. Quite often, in the process of such liquidation or reorganization, a stockholder can acquire a substantial tax advantage. Equally as often, he may be placed at a disadvantage, depending upon whether the corporate surplus is or is not first distributed as an ordinary dividend prior to liquidation. It can readily be seen that if a dividend is declared before liquidation, it is considered an ordinary dividend and therefore not subject to normal tax.

In the case of incomes of less than $10,000, such dividends are subject to no tax at all. On the other hand, where large incomes are involved, such a dividend may be subject to a surtax as high as 20%. Where small incomes are involved, therefore, there is an advantage in distributing the surplus in the form of an ordinary dividend. Where large incomes are involved, however, it may be most advantageous not to distribute in the form of a liquidating dividend so that all the moneys received by the stockholders can be subject to a maximum tax of 12½%. That limitation, of course, applies where the securities have been held for two years or longer. A situation of this kind is quite often within the control of the stockholders, particularly in close corporations. The possible tax effect is obvious.

Conclusion

A number of additional examples might be submitted emphasizing the important part that tax consideration plays daily in the net return from securities. Obviously, however, it is impractical to treat the subject more exhaustively in this form. From what has already been said, one must necessarily conclude that the income tax plays an important part in arriving at the ultimate net return from securities. Perhaps also the conclusion can be drawn that so-called "tax reduction" is not entirely up to Congress, the taxpayer quite apparently having some phases of such "tax reduction" right within his own control.

The Magazine of Wall Street has compiled a list of books on Speculation, Economics and Business subjects published by other companies. All these books have been read by our Staff of experts and we heartily recommend them to our readers. We invite further correspondence about this list. Address your inquiries care of Book Department.

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Ideal way to enjoy a vacation. Beautiful scenery with all sports.

COMING STEEL DIVIDEND ACTION OF UTMOST SIGNIFICANCE TO BUSINESS

(Continued from page 233)

quarter will probably be slightly lower. When the better profits are considered, it appears that net earnings for the final quarter should closely approximate 47 millions or about $4 per share common. Earnings for the year appear to be about $17 on common which compares with $12.86 last year, $11.77 in 1924, and $16.42 in 1923.

The Dividend

During the past three years, the corporation has set aside a considerable reserve to be appropriated for additional property, construction and modernization.

The total has amounted to 85 millions or virtually $17 per share common. It is quite possible that a proportional amount will be set aside in 1926 for the same purpose. The real value and benefits of such improvements have been manifested in larger profits due to lower cost operations. The published accounts of larger blast furnaces, electrification of rolling mills, increase in by-product capacity, development of transportation facilities, and improvements in steel making plants, indicate the trend to more efficient and economical production. Therefore, the reinvested capital has been bringing handsome returns, and while thus far, apparently, only consumers have benefited by fairly low prices for steel products, the common stock holders are also likely to share more liberally from economies obtained.

Assuming that the past policy of spending money for major improvements will be continued, and there is every good reason to do so, it would leave available for dividends (if such a sum were 25 millions), a surplus over common requirements of 25 millions, or the equivalent of $5 per share common. Without departing from the constructive policy of the past, any part or all of this surplus of 25 millions could very easily be handed down in the form of an extra. This could be accomplished without touching the present surplus or departing from the custom of appropriating large sums for plant additions and improvements. The latter expenditures have largely aided in placing the corporation in an unassailable competitive position.

In the minds of many, the management of the big concern has been ultraconservative, but it must be frankly admitted that its present strength is in a large part due to this factor. Whether or not with $17 earned on common and fair prospects for first quarter, the management will remain insensible to the position of common stockholders remains to be seen. Certainly, the chances for some

distribution were never so bright. On the other hand, there is the conservative tinge in the corporation directorate which may postpone such a division of profits, if not prevent it, for sometime. It may then be reasonably assumed that if no action in regard to extra dividends is taken at the next quarterly meeting it may either be due to such conservatism or to the thought that business prospects for 1927 do not warrant it. From many angles, therefore, the next quarterly meeting of the directors may be regarded as critical to stockholders and business alike. ***But when all is considered, the weight of evidence favors a distribution of some sort, though talk of 40% stock dividend is absurd on its face. The stock may sell somewhat higher in anticipation of such action, but has passed beyond the stage of a bargain at these higher levels.***

WE NEED SHIPS TO SECURE OUR FOREIGN TRADE!

(*Continued from page* 213)

posed that seems to meet the requirements of the private shipowner. It provides low capital costs by invoking the services of the government as banker. At the same time it will absorb little if any public money and will conform to the prevailing national policy of rigid economy. Funds for financing the building of new ships are to be provided, according to this plan, by the issuance of 3% United States bonds; and the government will carry the insurance risk in proportion to its equity in the ships, which are to be sold on the deferred payment plan. Let me illustrate: Suppose a ship operator needs a number of modern vessels that will cost $10,000,000 to build in American yards, which is about 40% more than foreign built ships cost. If he were to contract privately for these ships he would have to invest $10,000,000 at an interest charge of 6%—or $600,000 a year. His insurance would cost him $300,000 more. He is confronted by a barrier of fixed charges amounting to $900,000—much higher than those of his foreign rivals. Also his operating expenses are somewhat higher. The government can get the capital at 3 per cent. When the ships are ready the operator will pay a million dollars down and undertake to pay the rest in fifteen annual instalments, say, at 3%. During the first year then his capital account charge will be $60,000—interest at 6% on his initial payment—plus $270,000—interest at 3% on his deferred balance—and $30,000 for insurance premiums on his million dollar equity; total of fixed charges $360,000—3.6% against 9% if he goes it alone and unaided. His capital and insurance costs will increase as his equity increases and that of the government decreases, but the average will be low, and he will have

the light end of the load in the early and harder years. The government will be out of pocket for interest during the time in which the ships are building, but after that it will come out even on interest and capital, and, probably, also on insurance.

"Anything it might lose on this plan could well be charged to the account of a naval auxiliary and reserve. The first duty imposed on the Shipping Board by the preamble of the Shipping Board act of 1916 is to create a naval auxiliary, the second is to establish a naval reserve and the third is to build up a fleet that can carry the greater part of our commerce with foreign countries and our territorial possessions. If we were to charge the $18,000,000 we are now spending on the Emergency Fleet to auxiliary and reserve account, it would be only 3% of our annual national defense expenditures.

"At this stage the foregoing is only my plan. The board may adopt some other. There is no doubt that a plan can be found that will provide our shipping men with low-cost capital. If Congress does not care to do that, the alternative—in view of national antipathy to cash subsidies—is continued government ownership and operation, direct or indirect. Private ownership and operation are preferable, but if our people elect to own the fleet themselves, I am convinced that we can so operate the ships to give the best service possible even if not so economically as private managers.

Protection for Our Investments

"While I am for an American merchant marine fleet that will be American first, last and all the time, I would not favor a policy of destructive competition. We do not want to dominate the marine carrying trade or enter into acrimonious rivalry with the merchant ships of the nations. We want only such a quota of vessels in every trade that interests us as will insure the protection of our transport interests. In some trades we would want no American ships, in others perhaps not 10%; in others, still, perhaps 50%. All we want is assurance of sufficient ship capacity and quality of service to protect our oversea interests against the natural tendency of the ships of all nations to favor the trade of their own nationals.

"The prosperity of any nation or group of nations is necessarily dependent upon international trade and good will. While steadily favoring our own trade program and vigilantly fostering our own commerce we must show due regard for the inherent rights of others and for their legitimate aspirations.

"With $15,000,000,000 of American money invested abroad and with our growing need of foreign markets for both sales and purchases of commodities, any other course than one of self-protection combined with fair dealing is a course of folly, that, if pursued, will imperil our investments as well as our prosperity and even our commercial independence."

FORD MOTOR OF CANADA, LTD.

(*Continued from page 240*)

whereby the drop in profits per unit must be offset as far as possible by a greater volume of sales. Business was stimulated during the summer months by the lower scale of prices, and in spite of recent advices that the plant is now running at 50% of capacity, it may be that 1926 production will eclipse all previous records. Profits are almost certain to be curtailed, however, and even more so in 1927 than this year in the event of a continuation of prevailing adverse conditions which were applicable only to the last eight months of 1926.

There are two mitigating factors. Export business to the British provinces is not affected. Exports are variable but roughly amount to 25% of total shipments. Secondly, marked improvement has taken place in sales to the agricultural sections of western Canada. These favorable developments are of a nature to relieve rather than to cure the situation. *The 300-point decline hardly constitutes a sound reason for the purchase of Ford Motor of Canada stock until such time as external conditions change for the better or a definite move is made by the Ford interests to further popularize the products. Still, as an issue with large potentialities, it should be watched for the first broad underlying favorable development which would mark the signal for purchase.*

TEXAS COMPANY

(*Continued from page 280*)

cludes lubricating oils and various other oil products, and in addition there are 14 plants for the production of casing-head gasoline.

A feature of the income report was the almost negligible increase in expenses which accompanied a gain of 20 millions in gross as compared with the preceding year. Such operating efficiency was largely the result of heavy expenditures in the previous two years in equipping the refineries with Holmes-Manly cracking stills, which, as we have already seen, increased the percentage of gasoline recovery to 44.2%. The 20 millions expended for this purpose therefore was all but recovered in a single year's operations. In connection with the change in process, a new "Texaco Gas," well known to all motorists, was developed and is meeting with a demand substantially in excess of that for the former product.

The parent company will in the near future be known as the Texas Corporation. It was recently decided to incorporate under the laws of Delaware and exchange the old stock share for share for the new holding company stock. This change is for the purpose

of permitting greater latitude in the acquisition of subsidiaries. Under Texas laws the company was allowed no more than one subsidiary in any single state or foreign country, and it became necessary to wholly absorb any new property not conforming to these provisions.

Texas Company is now in a stronger position financially, strategically, and from an earnings standpoint than at any time in its history. The stock has investment merit, and because of the consequent narrower price movements, does not enjoy the market popularity of its more speculative brothers. *At current levels around 55 it is within striking distance of the year's high, but for solid values the shares nevertheless commend themselves to the investor with faith in the future of the oil industry.*

Important Corporation Meetings

Company	Specification	Date of Meeting
American Beet Sugar	Directors	12-6
Brunswick-Balke-Collender	Directors	12-6
Endicott-Johnson	Dividends	12-6
Miami Copper	Directors	12-6
American Express	Dividend	12-7
American Light & Traction	Directors	12-7
Associated Oil	Dividend	12-7
Borden Co.	Directors	12-7
Brown Shoe	Directors	12-7
Cerro De Pasco	Directors	12-7
Gimbel Bros.	Directors	12-7
Timken Roller Bearing	Directors	12-7
Air Reduction	Directors	12-8
American Sugar Refining	Directors	12-8
Cluett, Peabody	Pfd. Div.	12-8
Eastman Kodak	Directors	12-8
Federal Light & Traction	Directors	12-8
Foundation Co.	Directors	12-8
Gillette Safety Razor	Directors	12-8
Macy (R. H.) Co	Pfd. Div.	12-8
Pacific Gas & Electric	Com. Div.	12-8
Packard Motor Car	Directors	12-8
Woolworth, F. W.	Directors	12-8
American Locomotive	Ex. Comm.	12-9
American Railway Express	Directors	12-9
Brown Shoe	Annual	12-9
California Packing	Directors	12-9
Colorado Fuel & Iron	Directors	12-9
International Tel. & Tel	Dividend	12-9
Simmons Co.	Directors	12-9
Southern Pacific Co	Directors	12-9
Underwood Typewriter	Directors	12-9
Union Pacific System	Directors	12-9
Simms Petroleum	Directors	12-10
Westinghouse Air Brake	Dividend	12-10
General Cigar	Directors	12-11
Canadian Pacific Ry	Directors	12-13
Martin-Parry	Annual	12-13
Ahumada Lead	Directors	12-14
American Brake Shoe & Fdy	Dividend	12-14
American Linseed	Directors	12-14
California Petrol.	Directors	12-14
Electric Storage Battery	Directors	12-14
Remington Typewriter	Directors	12-14
Tennessee Copper & Chemical	Directors	12-14
Western Union Telegraph	Dividend	12-14
Youngstown Sheet & Tube	Directors	12-14
American Tel. & Tel	Directors	12-15
Austin, Nichols & Co	Dividend	12-15
Bayuk Cigars	Directors	12-15
Commercial Solvents Corp	Directors	12-15
Consolidation Coal	Directors	12-15
Cushman's Sons	Directors	12-15
New York Central	Directors	12-15
Northern Pacific	Directors	12-15
Reading Co.	Directors	12-15
Republic Iron & Steel	Directors	12-15
Sinclair Consolidated Oil	Directors	12-15
Adams Express	Directors	12-16
All America Cables	Dividend	12-16
Burroughs Adding Machine	Directors	12-16
Columbia Gas & Elec	Directors	12-16
International Cement	Directors	12-16
International Harvester	Directors	12-16
Louisville & Nashville	Directors	12-16
National Lead	Directors	12-16
Armour & Co., Ill	Directors	12-17
Bangor & Aroostook	Directors	12-1"

NOTHING IN SIGHT TO WORRY BUSINESS

(*Continued from page* 207)

I include farm relief legislation in the list of legislation that will probably be left for the final consideration of the next Congress. It is a too contentious subject to deal with definitely in the short session.

No Split Seen

There will be no split between Congress and the President over the recent decision of the Supreme Court that the President may dismiss any official he appoints, with or without the consent of the Senate. As the executive agent of Congress the President should have complete control over the administration personnel. That is good business, and now that there is no possibility of a President again being subject to such humiliation as in the Shipping Board incident last year, I look to see a more businesslike coordination of administrative policy.

Speaking of the Shipping Board, it is safe to predict that there will be no action by Congress at this session looking to the adoption of a policy designed to keep the American flag flying in the deep sea trades.

Congress will pay the Nation's bills, clean up the pending file, as you might say, and go home. Not much in that to dismay or worry business.

PROBABLY A HARMLESS SESSION IN STORE

(*Continued from page* 207)

insurgency, is the main thing with the majority and the President. On the whole, I consider that if anything at all is done with taxes it will take the form of permanent relief and not of a mere refund by grace.

This session will dispose of the alien property problem (and the related one of claims of American citizens against the German government) which involves about $500,000,000 worth of property, impounded since the war; and will, I hope, adopt some sound workable measure for the relief of agriculture. Our patient, long suffering farmers, are entitled to the sympathetic assistance of their fellow-citizens. Both of these items should be beneficial to business though the first is not of general concern.

Some of the Federal Commissions and other independent agencies may be dealt with. In view of the Supreme Court decision regarding the President's power to "hire and fire," these bodies lose all independence and become mere White House annexes, and Congress may choose to abolish them.

Building and Loan Association Rating Tables
Notes, Corrections and Explanations

By Wm. Stephen Marlowe

IN its October 9th issue, THE MAGAZINE OF WALL STREET published the first comprehensive rating table of Building and Loan Association laws, by States, ever published. A tremendous pioneer effort of this type, requiring elaborate research into the laws, regulations, supervisory practise, etc., of forty-nine sovereignties carried with it the possibilities of errors. Naturally, protests were received from States rated lower than "A."

Letters were received from six States out of forty-eight States and one district rated. Many of the letters from these six States showed misapprehension of the table. The table was *not* a rating of Building and Loan Association safety or practise. It *was* a rating of Building and Loan Association *statutes*. Supervision, by-laws and other regulatory factors were included, but given less importance than statute law. Hence Texas, which was rated low, was not rated low on the basis of facts concerning associations, but on that of law and admittedly small compulsory appropriations for supervision. Many Texas Associations are among the finest in the world.

A good spirit was shown by Florida. Letters from that State, while courteously correcting minor inaccuracies, yet stated that every effort would be made to further stiffen the statutes so as to deserve an "A" rating. The writer is indebted to numerous correspondents all over the Union both for lavish praise, watchful criticism, and for a wealth of original documentation.

Corrections

FLORIDA 25 shares maximum that can be voted. Section 22 of Chapter 10,028, Building and Loan Association law, permits too much elasticity with reference to real estate practice. Rating altered to (B).

GEORGIA Securities Commission effected new rules, January, 1926. Salesmen permitted but high pressure methods compel dismissal. Rules prohibit second mortgages or loan of more than two-thirds value. Semi-annual reports required by Commission, which examines at discretion. Expenses limited to 1% save upon waiver of commission. Reserves up to 5% assets. However, any B. & L. Association, not complying with these rules may be granted a license to sell stock in Class "C" or "D" (speculative securities). This means that outsiders can not be prima facie certain of their association. Rating, logically, therefore is (C).

MISSISSIPPI Protest on statement. "No effective supervision, examination or reports." Copy of statute reveals no discrepancies. Statute requires annual report to State auditor or bank examiner. Clark and Chase, in "Building and Loan Associations," point out that Banking Department refuses to accept responsibility for supervision. Other statutory features compel rating of (D).

OKLAHOMA A real injustice was done in the case of this state. Reserves are compulsory by rules and regulations of supervisory department. In every single respect building and loan practice and law alike are of the very highest grade and equal to the best elsewhere. Second mortgages are purely technical, being upon property where assn. holds first mortgage and not to exceed a restricted percentage of total value. Recent changes in code responsible for our error. No

alibis and plenty of apologies. Rating should be (A) unconditionally.

PENNSYLVANIA Two minor inaccuracies admitted. Law of 1879, April 10, P. L. 16, has premium provisions; Act of Assembly, 1895, June 25, P. L. 303, Section I, restricts borrowing to 25% of the withdrawal value of stock. Both inaccuracies too trivial to affect rating, which remains (C).

TEXAS Attorney-General has rendered decision, January 11, 1926, that Building and Loan Associations cannot deal in real estate. Unless reversed by court, this greatly improves status of associations. Appropriation of $3,000 last year for examination of over 100 B. & L. Associations farcical, but associations themselves raised $7,000 to enable State to investigate them. Examinations were thoroughgoing, according to descriptions in our hands. Directors must be members. Decision of Attorney-General raises status of assns. Our account of nominal supervision still valid, until legislature votes more money for supervision. Nevertheless rating of (B) seems warranted by all the circumstances.

RATINGS: (A)—High degree of safety. (B)—Reasonable degree of safety. (C)—Inherent dangers in the weaker associations. (D)—Investor must scrutinize each association for individual practice. Legal protection secondary. (E)—Legal situation such that commitments ought not to be made by outsider.

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$6	Adams Express	$1.50	Q	12-15	12-31
$3	Amer. Chicle cm......	$0.75	Q	12-15	1-1
$6	Amer. Chicle 6% pf..	$1.50	Q	12-15	1-1
$7	Amer. Chicle 7% pf..	$1.75	Q	12-15	1-1
$7	Amer. Linseed pf.....	$1.75	Q	12-17	1-27
$6	Amer. Ry. Express...	$1.50	Q	12-15	12-31
$9	Amer. Tel. & Tel.....	$2.25	Q	12-20	1-15
7%	Arm'r & Co., Del. pf.	1¾%	Q	12-10	1-1
7%	Arm'r & Co., Ill. pf..	1¾%	Q	12-10	1-1
$3	Artloom, cm.	$0.75	Q	12-16	1-3
$7	Atlantic Coast L......	$3.50	SA	12-17	1-10
..	Atlantic Coast L......	$1.50	Ext	12-17	1-10
$3	Beld-Heminway cm...	$0.75	Q	12-20	1-1
7%	Case, J. I. Thresh, pf.	1¾%	Q	12-13	1-1
$4	Chic. Yell. Cab.....	$0.33⅓	M	12-20	1-1
$7	Coca Cola cm.........	$1.75	Q	12-16	1-1
$8	Comm'l Solvents B...	$2.00	Q	12-20	1-1
$4	Coty, Inc.	$1.00	Q	12-20	12-31
..	Coty, Inc.	$1.00	Ext	12-20	12-31
$7	Crucible Steel pf......	$1.75	Q	12-15	12-31
$5	Elec. Stor. Batt. cm..	$1.25	Q	12-5	1-3
$3	Fair-Morse cm.	$0.75	Q	12-15	12-31
$8	Famous Players cm...	$2.00	Q	12-15	1-3
..	Fidelity-Phenix	100%	Stk	12-30	1-10
$2	Glidden Co. cm.......	$0.50	Q	12-16	1-2
$7	Goodrich, B. F., pf...	$1.75	Q	12-15	1-3
$5	Gulf States St'l cm...	$1.25	Q	12-15	1-3
$7	Gulf States St'l pf...	$1.75	Q	12-15	1-2
$3½	Hudson Motor	$0.87½	Q	12-15	1-3
$1	Indep. Oil & Gas.....	$0.25	Q	12-30	1-17
$4	Int'l Cement cm......	$1.00	Q	12-15	12-31
$7	Int'l Cement pf......	$1.75	Q	12-15	12-31
$8	Kayser, Julius, pf....	$2.00	Q	12-17	1-3
$5	Kennecott Copper	$1.25	Q	12-3	1-2
$1.20	Kresge, S. S., cm....	$0.30	Q	12-15	12-31
$2	Loew's, Inc.	$0.50	Q	12-13	12-31
..	Loew's, Inc.	$1.00	Ext	12-13	12-31
$2	Manila Elec.	$0.50	Q	12-15	12-31
$2	Marlin-Rockwell	$0.50	Q	12-20	12-31
$8	National Lead cm.....	$2.00	Q	12-10	12-31
Stk	North Amer. cm......	2½%	Q	12-6	1-3
$3	North Amer. pf.......	$0.75	Q	12-6	1-3
$2	Oil Well Supply cm...	$0.50	Q	12-15	1-3
$2	Orph. Circ. cm.....	$0.16⅔	M	12-20	1-2
8%	Orph. Circ. pf..........	2%	Q	12-20	1-2
$3	Owens Bottle cm.....	$0.75	Q	12-16	1-1
..	Owens Bottle cm.....	$2.00	Ext	12-16	1-1
..	Owens Bottle cm......	5%	Stk	12-16	1-1
$7	Owens Bottle pf......	$1.75	Q	12-16	1-1
$2.40	Packard Motor	$0.20	M	12-15	12-31
$3	Phillips Petrol.	$0.75	Q	12-15	1-3
$8	Pierce Arrow pf......	$2.00	Q	12-15	1-1
$3	Reid Ice Cream cm...	$0.75	Q	12-20	1-3
7%	Rep. Ir. & Steel pf...	1¾%	Q	12-15	1-2
$2	St. Joseph Lead......	$0.50	Q	12-9	12-20
..	St. Joseph Lead......	$0.25	Ext	12-9	12-20
$1	Simms Petrol.	$0.50	SA	12-15	1-3
$6	So. Porto R. Sug. cm.	$1.50	Q	12-10	1-3
$8	So. Porto R. Sug. pf..	$2.00	Q	12-10	1-3
$6	Stromb. Carb.	$1.50	Q	12-10	1-3
$3	Texas Co.	$0.75	Q	12-10	12-31
$2	Unit. Cigar Strs. cm..	$0.50	Q	12-10	12-30
..	Unit. Cig. Strs. cm..	1¼%	Stk	12-10	12-30
$4	United Fruit cm......	$1.00	Q	12-4	1-3
$4	White Motor	$1.00	Q	12-15	12-31
$3	Wrigley, Wm.	$0.25	M	12-20	1-3
$4	Young. Sh. & T. cm..	$1.00	Q	12-15	12-31
$7	Young. Sh. & T. pf...	$1.75	Q	12-15	12-31

Building & Loan Associations

We will be glad to answer any questions regarding Building & Loan Associations in any section of the United States. Address Building & Loan Ass'n Dept., c/o The Magazine of Wall Street, 42 B'way, New York City

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FLORIDA'S SAFEST INVESTMENT

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Capital, $2,000,000.00

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8% COMPOUNDED Semi-Annually

on investments; in monthly payments or lump sums; Safety; Real Estate Security; Tax Exempt; State Supervision. Send for Details.

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Okmulgee Oklahoma

6% 7%

First Real Estate Loans
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Tax Exempt
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Fort Worth, Texas

Population, 160,000
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Home of

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Assets, $3,250,000, Practically All Invested in First Mortgage Loans on Fort Worth Homes

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7% FULL PAID CERTIFICATES

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Instalment and Prepaid Certificates

Are participating and are earning 9%.

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7% and 8% Earnings

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San Antonio Building & Loan Ass'n

San Antonio, Texas

Tennessee

7% With Safety

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Under the provision of an Act of the U. S. Congress, all income derived from Building & Loan Associations, such as this Association, is exempt from Federal Income Tax up to an annual income of $300.00.

Tennessee was rated "A" in the article appearing in the October 9th issue of The Magazine of Wall Street. All Building & Loan Associations in the State are under the direct supervision of the State Banking Department.

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WHY WE CHOSE ATLANTA

See what Atlanta can mean to your business. Send for this free booklet giving the experience of more than 600 concerns now in Atlanta. (363)

ODD LOTS

A well known New York Stock Exchange firm has ready for free distribution a booklet which explains the many advantages that trading in odd lots offers to both small and large investors. (225)

J. J. NEWBERRY COMPANY

This company is rapidly taking its proper place in the department-store business. The investment possibilities to be found in its preferred stock are explained in this interesting folder. (378)

OAKLAND

Have you a Pacific Coast branch? It will be to your advantage to study the benefits derived from locating in this enterprising California city. Ask for 379.

New York Curb Market

IMPORTANT ISSUES

Quotations as of Nov. 16.

Name and Dividend	1926 Price Range High	Low	Recent Price
Albert Pick Barth wi†	13⅝	10	12⅞
Amer. Gas & Elec. (1)††	110⅛	64	105
Amer. Seating (3)	45⅝	32⅛	43¾
Amer. Super Power A (1.2)†	37⅞	19⅛	29⅝
Amer. Super Power B (1.2)†	39	21¼	29⅞
Beacon Oil*	19⅝	14⅛	17¼
Celotex Co. (6)	207	117	..
Centrif. Pipe (1)*	27	15¾	18¼
Cities Service New (1.2)†	49	37⅛	49
Cities Service Pfd. (6)†	92⅛	82⅜	92¼
Consol. Gas of Balt.	58	44¾	52½
Consolidated Laundries (2)*	28½	21	22½
Curtiss Aero†	23⅞	15⅛	19
Curtiss Aero Pfd. (7)†	89½	75½	80
Durant Motors†	14⅞	3½	3⅝
Elect. Bond & Share (1)†	86	56½	67⅛
Electric Investors†	74½	30¾	40½
Fed. Purchase "A" (3)*	35⅛	29⅞	30⅛
Fed. Purchase "B" (1)*	17½	9⅛	10¾
Ford Motor of Canada (20)†	655	326	400
General Baking A (5)*	79½	44⅛	56
General Baking B*	18	5	5⅞
Gillette Safety Razor (3)†	114	89	91¾
Glen Alden Coal (7)†	186	138½	183
Goodyear Tire & Rubber†	40	28	29
Gulf Oil (1.5)†	95	82	89¾
Happiness Candy Store (50c)*	7¾	5⅞	6¼
Hecla Mining (2)†	19¼	15⅛	16½
Horn & Hardart (1.50)†	62⅞	41	..
International Utilities B†	9⅞	3⅛	4⅛
Land Co. of Florida†	47¾	17	18⅛
Lion Oil & Refining (2)*	25¾	20	23⅝
Metro Chain Stores††	50½	25½	32⅝
Mountain Producers (2.40)†	26	23	25⅝
New Mex. & Arizona Land†	17	9⅛	10
Nipissing Mining (60c)*	7½	5	5⅝
Northern Ohio Power†	26⅛	11	11¾
Pacific Steel Boiler*	16⅝	11	11½
Puget Sound P. & L.†	66½	26	29½
Reo Motor (80c)†	25⅜	19	19⅛
Rickenbacker Motor*	9⅛	⅞	⅞
Salt Creek Producers (80c)†	36	26¾	30⅝
Servel Corporation A†	22¾	11⅛	12⅛
Southeast Pwr. & Lt. new†	46¾	20	33¼
So'east Pwr. & Lt. Pfd. (4)†	69¾	59	67
Stutz Motors*	37¾	16⅛	17⅜
Trans Lux*	14	6½	9
Tobacco Products Export†	4⅞	3¼	3¾
Tubize Artif. Silk†	240	155	165
Victor Talking Machine†	114½	68	114
STANDARD OIL STOCKS			
Continental Oil (1)†	25⅞	17½	20
Humble Oil (1.2)†	99⅝	52	58
International Pet. (50c)†	35¼	28¾	31⅜
Ohio Oil (2)†	67⅜	55¾	58⅞
Prairie Oil & Gas†	60¼	48	49¼
Standard Oil of Ind. (2.5)†	70½	61¼	64⅝
Standard Oil of N. Y. (1.4)†	47¼	30⅜	31⅜
Vacuum Oil (2)†	109¾	90¼	97¼

Note:
*Listed in the regular way.
†Admitted to unlisted trading privileges.
††Application made for full listing.

CURB prices have held to a fairly steady level on the average with some irregularity in individual issues. Two strong issues among the industrials were *Ford Motors of Canada* on a technical recovery and *Victor Talking Machine* on a strong buying movement that carried the shares up 8 points in one session. Oil shares were firm with some price gains.

Consolidated Gas of Baltimore

Investors who frequently turn to the Curb list for a semi-investment issue with possibilities for growth in value over a reasonable period of time would do well to consider an issue like Consolidated Gas of Baltimore. The common no par value stock of this company has an active market on the New York Curb Market as well as on the Baltimore Stock Exchange. The operations of the company in Baltimore and surrounding area serve a population of over 850,000 exclusively with gas and electric service.

Although this district has not been a "boom section" of the country, the business of this company has nevertheless shown a really remarkable growth within the past decade. Gross revenues have expanded from 6.7 millions in 1915 to 22.7 in 1925, while net income has shown a proportionate increase of from 1.4 millions to 5.4 millions during the same period. The large portion of this increase is represented by the electric service of the company, the gas service showing only a moderate increase in contrast.

The company has a funded debt of 57.8 million dollars against fixed assets of 95.4 million dollars and total assets in excess of 112 millions. The total amount of preferred stock outstanding is 12 million dollars in $100 par value cumulative stock, issued in four series bearing interest rates of from 6 to 8%. The common stock, of which there are 850,000 shares outstanding, has an equity of around $40 a share in the net tangible assets. This latter figure would not be especially impressive in relation to the current price level of the shares but for the considerably larger than average equity in the net earning power of the company's assets.

On the basis of earnings statements covering the first nine months of 1925, the per share earnings are in excess of $5 a share for the full year or more than twice the present dividend rate of $2.50 a share, inaugurated during the early part of the year. The yield on the investment, considering only the cash dividend at the current rate, is less than 5% but the actual income has been somewhat higher through valuable rights offered to shareholders.

It is not unlikely that stockholders will obtain a better than fair return from their investment in the form of regular or extra cash dividends, rights or probable enhancement in value over a reasonable period of time. The importance of the company's rate litigation with the City of Baltimore has been somewhat unduly emphasized in connection with the investment value of the shares and the basis of settlement in sight will probably not seriously impair the future earning power of the company. The shares are now quoted at around 52.

Bank and Insurance Stocks

Quotations as of Recent Date

	Bid	Asked
NATIONAL BANKS		
American Ex-Pacific (18A)	463	468
Chase (18A)	421	426
Chatham & Phenix (16)	363	369
Chemical (24)	800	815
City (20A)	627	632
Commerce (16)	410	415
First (N. Y.) (100A)	2640	2700
Hanover (27)	1040	1060
Park (24)	495	503
Public (16)	560	570
Seaboard (16)	700	710
TRUST COMPANIES		
Bankers (20)	655	665
Bank of N. Y. & Trust Co. (24)	645	655
Brooklyn (30)	800	815
Central Union (33)	910	925
Empire (16)	380	388
Equitable (12)	283	286
Farmers' L. & T. (16)	545	555
Guaranty (12)	417	422
Irving Bank & Trust Co. (14)	299	303
Manufacturers (20)	522	526
New York (20)	550	555
United States (60)	1720	1740
STATE BANKS (NEW YORK):		
America (12) (V. T. C.)	300	315
Corn Exchange (20)	574	584
Manhattan Co. (8C)	225	229
State (16)	590	610
United States (10)	300	310
INSURANCE COMPANIES:		
Aetna Fire (24)	510	520
Aetna Life (12)	550	560
*Fidelity-Phenix (6)	195	200
*Continental (6)	134	138
Glens Falls (1.60)	38	40
Globe & Rutgers (36)	1350	1400
Great American (16)	280	284
Hanover (5)	182	188
Hartford Fire (20)	470	480
*Home (18)	363	367
*Carolina (1.20)	27	30
Milwaukee Mech. (1.60)	33	37
National Fire (20)	725	740
Niagara (10)	220	230
*North River (5)	105	112
*United States (5.60)	134	140
Stuyvesant (6)	190	200
Travelers (20)	1150	1175
Westchester (2.50)	42	44
SURETY AND MORTGAGE COMPANIES:		
American Surety (8)	185	190
National Surety (10)	217	220
Lawyers Mortgage (14)	260	(E) 265
Mortgage Bond (8)	142	149
JOINT STOCK LAND BANKS:		
Bankers of Milwaukee	25	40
Chicago (6)	80	85
Dallas (10)	120	128
Denver (8)	115	125
Des Moines	40	50
First Carolina (8)	100	110
Kansas City (6)	70	80
Lincoln (9)	127	134
St. Louis (9)	144	150
Southern Minnesota	40	45
Virginia (.50B)	6¾	7

(A) Includes dividends from Securities Company. (B) Par $5. (C) Par $50. (E) ex-Rights. *Members same group.

IN the past year, the action of Joint Stock Lank Bank stocks has been profoundly discouraging. Bid prices have collapsed as follows: Bankers of Milwaukee, from 175 to 25; Chicago, 180 to 80; Southern Minnesota, 165 to 40; Des Moines, 152 to 40; Dallas, 172 to 120; Kansas City, 178 to 70. Less spectacular declines were registered by Denver from 140 to 115; First Carolinas, 132 to 100; Lincoln, 162 to 127; St. Louis, 160 to 144; and Virginia, 9 to 6¾.

It is interesting to compare book value of these stocks with market value. Bankers of Milwaukee has a book value of 120 against bid of 25; Chicago 125, bid 80; Dallas 123, bid 120; Denver 119, bid 115; Des Moines 112, bid 40; First Carolina 119, bid 100; Kansas City 122, bid 70; Lincoln 123, bid 127; St. Louis 122, bid 144; Southern Minnesota 130, bid 40; and Virginian 6.14; bid 6.75.

There can be no doubt, however, that the worst is over, for practically all of the banks. So far as First Carolina is concerned, as with Denver, the dividend is assured. As to Virginian and Lincoln, there seems no reason for noncontinuance of the dividend. St. Louis is solid. Dallas is coming through the cotton ordeal handsomely, and Kansas City is showing remarkable gains recently. In both the dividend appears logical. With reference to Des Moines, it seems clear that they will get out of their recent clogging up with real estate fairly early, though dividends need not be thought of for a while. Chicago is showing more recent market strength. Bankers of Milwaukee and Southern Minnesota—operating in similar territory remain weak sisters. Real estate holdings, not easily liquidated, continue to hang like a millstone around these banks. Solvency of Southern Minnesota is not in doubt, and it seems that there can be no further bad news from that bank. On the other hand, the prospect of a dividend seems deferred for years. The same is true of Bankers of Milwaukee, which has been very courageous in writing off its non-liquid holdings, and which has had to bear the brunt of market lack of confidence ever since. Recently, there has been a cessation of constant rumors concerning the bank.

This does not mean that bullish factors alone prevail. The first and second weeks of December will be the period in which dividend decisions will be made. Should several of these be reduced, market action may ease off a bit, although in several cases such possibilities has been discounted. The recovery of the market from its recent extreme lows has been gratifying. There is much rough going yet for several of the banks, but no one who has bought these stocks way up, and has held on all the way down should let go now. It would be better were one to be able to predict a recovery with a speedy tempo, but until the weaker banks have completely liquidated the mistakes of the past, there will be a slow and halting recovery.

Commodities

COTTON — To cap the climax of increasing estimates, the last government figure estimates a cotton crop of 18.4 million bales, or more than 2 millions in excess of any known before. So strong has the current of optimism run concerning the future of cotton quotations that even this startling figure bent the market but little. Such optimism is based not so much upon governmental schemes of relief as upon the belief that a price below the cost of production is untenable and cannot be long sustained. Small mill inventories and increased Lancashire consumption are also bullish factors. Nevertheless, the sheer size of the crop is so significant as to reduce all other factors to a minor position. Bulls stated dogmatically that the crop could not be ginned, owing to absence of facilities for handling such a crop. Statistics are now conclusive that the gins can handle the remaining unginned cotton, in the normal time required to make deliveries therewith. The practical certainty that the crop will all be ginned, and that quality is not inferior to any normal year, still leaves the statistical position dubious. Future commitments should be watched conservatively; the middle options (March and May) still appear more advantageous contracts than distant delivery. Closing quotations: December 12.42, January 12.48, March 12.69, May 12.90, July 13.09, October 13.25.

WHEAT — The spurious optimism in wheat, sponsored by world statistics and above all world cargo situation has been reversed and the trade is now inclined to believe that no great future attends the crop. Not only is Argentine weather improving—itself not unimportant, but an absence of export demand is becoming clearer. European countries have begun severe regulations looking towards the elimination of white bread. Belgium and Italy are examples of countries where currency stabilization would be imperiled by excessive wheat imports. The whole of Europe seems inclined to take this position. Hence, absence of cargo space is not so obvious, and constructive steps have been taken in this regard in the port of Montreal. Switching of millers from December to May has featured the fortnight. Last quotations: December 1.34, May 1.37, July 1.31. At these prices none look attractive.

CORN — Hedging operations in corn, that so materially affected December quotations seem to have relaxed, and in consequence, it is expected that the difference of nine cents now prevailing between December and May will be reduced to a more normal spread. July options, at 82 cents have been little used. The high price of cash corn makes May at 79 cents unattractive for the present.

TRADE TENDENCIES

(*Continued from page 252*)

and while this has been the case for several months in view of the falling off in orders, it assumes unusual prominence. Some irregularity has developed, it is true, but changes are of slight importance. The only reasonable solution for the strength in prices, centers apparently in existing fuel conditions. Iron makers refuse to accept orders for other than the first quarter until present coal arrangements are settled, and this has found reflection in steel prices.

Bookings for fabricated steel have shown an increase. In view of the fact that business has not been good, this is surprising. In the finished steel market, plates have been a feature of the demand. Locomotive buying on the part of the railroads has been fair. Purchases, such as nails, merchant pipe and sheets for building materials, by construction companies have been delayed.

Pig iron orders are down. The peak of buying appears to have been reached, and markets are rather quiet. Prices have been determined by the fuel situation; and now that coal is obtainable with somewhat less difficulty there has been a slight reaction, but steadiness prevails, with occasional concessions being offered.

SHIPPING

Prospects Improve

While the tremendous volume of coal export trade may be looked upon as no more than a temporary stimulus to shipping, its salutary effect on the industry will doubtless be felt long after the settlement of the English strike. The continuance of this trade during the height of the grain movement has provided cargo for all readily available bottoms. Indeed a shortage of ships and space has been, and still is, evident in our principal ports. Naturally the urgently needed upward revision in freight and charter rates has ensued. Moreover the movement is sufficiently pronounced to attract ships normally engaged in coastwise trade or sugar carrying from Cuba, thus affecting rates in these channels as well as in trans-Atlantic traffic.

Whereas it is acknowledged that rates may decline somewhat from present levels when the coal trade abates, there is little danger that the unprofitable schedules of former months will be resumed. The North Atlantic-United Kingdom and the North Atlantic Continent conferences have announced a new scale effective for the first four months of 1927, in which increases range from 25% to 70% depending on the commodity. Cargo space continues at a premium, with sufficient future demand to warrant

sustained activity. While it may be premature to say that the shipping industry has definitely turned the corner, it at least faces improving prospects.

PETROLEUM

Prices Weaker

Over-production continues as the chief problem of the oil industry. Despite evidence of a generally weakening price structure and the onset of the slack season, crude production continued to achieve new records until a peak of 2.35 million barrels daily average was made early in November. Unable to withstand the pressure, price reduction ranging from 15 to 87 cents a barrel ensued in various fields. Whether in response to this development or because of physical limitations in pipe line and storage facilities, a salutary drop of some 26,000 barrels was reported shortly thereafter. Furthermore constructive agreements in Southwestern fields are limiting new drillings until the end of November. It is to be hoped that they will be continued, at least in spirit, after that time although sentiment of the trade inclines toward an expectation of renewed heavy output.

Gasoline prices at the refinery are fractionally under last year at this time, as a result of heavy stocks and a seasonal drop in consumption coupled with light export demand. Fuel oils continue the strong spot in the refined products group, and prices are firm as the colder weather widens the market.

WARNER BROTHERS PRESENT THE VITAPHONE

(*Continued from page* 237)

ing would be altered. "Cuts" and "editing" would be far more difficult. Above all, present acting of the movie variety may be wholly unadapted to an entertainment which is a true counterfeit of the spoken drama. The costs of so profound a revolution in movie technique, and the reception thereof by the public are great and uncertain variables in the situation.

The value of Warner Brothers stock may be expressed as follows: It consists of actual commercial earnings, as disassociated from every aspect of Vitaphone, plus the business it does as a distributor, enhanced by Vitaphone, and its net Vitaphone royalties. The profits it will make depend on the difference between the royalties or receipts it will obtain from others, over and above the unknown amount it pays to Western Electric. The size of its operations is as conjectural as its rate of profit, and is hedged by important competition. In other words, what Warner Brothers stock is worth is anyone's guess. In any case, it comes far from being an investment.

Unlisted Utility Bond Index

Holding Companies

	Investment Grade	Bid Price	Asked Price	Yield
American Gas & Electric 6s, 2014	B..	102	102½	5.85
American Power & Light 6s, Series A, 2016	B..	100¾	101¼	5.92
Continental Gas & Electric 6s, 1947	B..	103	103¾	5.69
National Power & Light Deb. 6s, 2026	B..	98	98½	6.09
Southwestern Power & Light 1st Mtge. 5s, 1943	B..	96½	97¼	5.26

Power Companies

Alabama Power Co. 1st Ln. & Ref. 6s, 1951	A..	104½	105¼	5.60
Appalachian Power Co. 1st 5s, 1941	A..	100¾	101½	4.85
Arizona Power 1st 6s, 1933	A..	100¾	101¾	5.67
Binghamton Lt., Heat & Power 1st Ref. 5s, 1946	B..	99½	100¼	4.98
Central Ga. Power Co. 1st 5s, 1938	B..	97½	98½	5.17
Consumers El. Lt. & Pwr. New Orleans, 1st 5s, 1936	B..	98½	99½	5.06
Eastern N. J. Power 1st 6s, 1949	A..	102	102¾	5.78
Great Western Power Co. 1st Ref. 6s, 1952	A..	104	104¾	5.64
Idaho Power Co. 5s, 1947	A..	98¾	99¼	5.06
Illinois Power & Light 1st & Ref. 6s, 1953	B..	103	103½	5.74
Kansas Electric Power 1st Series A, 6s, 1937	B..	103¾	104½	5.45
Memphis Power & Light 5s, 1948	A..	99¾	100½	4.96
Mississippi River Power 1st 5s, 1951	A..	100½	101¼	4.88
Nebraska Power Corp. 1st 6s, 1949	A..	104½	105½	5.57
Nevada-California Electric 1st 6s, 1946	B..	103	103½	5.70
New Jersey Power & Light 1st 5s, 1936	B..	99½	101	4.87
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A..	105	105¾	5.56
Ohio Power Co. 1st Ref. 7s, 1951	A..	106	106¾	6.44
Puget Sound Power & Light 5½s, 1949	A..	100	100¾	5.44
Southern California Edison Ref. 5s, 1951	A..	97¾	98½	5.10
Tennessee Power Co. 1st 5s, 1962	A..	97	97¾	5.14
Texas Power & Light Co. 1st 5s, 1937	A..	100	100¾	4.90
Washington Coast Utilities 1st Mtge. 6s, 1941	B..	104	105	5.50
Yadkin River Power 1st Mtge. 5s, 1941	A..	100¾	101½	4.85

Gas and Electric Companies

Burlington Gas & Light 5s, 1955	B..	96¼	97	5.20
Cons. Cities Light, Power & Traction 1st 5s, 1962	B..	83½	84½	6.06
Dallas Power & Light 6s, 1949	A..	105½	106½	5.49
Indianapolis Gas Co. 1st 5s, 1952	B..	99	99¾	5.02
Oklahoma Gas & Electric 5s, 1950	A..	95¼	96	5.30
Pacific Gas & Electric 1st & Ref. 5½s, 1952	A..	103	103½	5.25
Portland Gas & Coke 1st 5s, 1940	B..	99½	100¼	4.97
Seattle Lighting Co. Ref. 5s, 1949	B..	94¼	95	5.38
Tri-City Railway & Light 5s, 1930	B..	97¾	98½	5.42
Twin State Gas & Electric Ref. 5s, 1953	A..	99½	100¼	4.98
United Light & Railways 6s, 1952	B..	100¼	101	5.92
Wilmington Gas Co. 5s, 1949	B..	97	98	5.14

Traction Companies

Brooklyn City & Newton 1st 5s, 1939	B..	84	86	6.62
Columbus Street Railway 1st 5s, 1932	B..	96½	97½	5.49
Galveston-Houston Electric Railway 1st 5s, 1954	B..	69	71	7.49
Nashville Railway & Light 5s, 1953	B..	99¼	100	5.00

Telephone and Telegraph Companies

Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	100¾	102¾	4.77
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A..	100	101	4.87
Ohio State Telephone Co. Ref. 5s, 1944	A..	101½	102½	4.80
Southern California Telephone 1st & Ref. 5s, 1947	A..	100¾	101½	4.88

Yield computed at the asked price. Average yield 5.40%.

The general upward direction of the bond market has less markedly affected unlisted utility bonds, so that average yields have declined from 5.43% to only 5.40% in the last few months. In view of the much lower yields for bonds of similar quality in the listed markets, it is apparent that the above table has become more valuable than ever before. An interesting profit has been made in Galveston-Houston Elec. Ry., up seven points. Rating of this bond was changed from C to B several months ago. It indicates the profits that are to be made from the recovery of the sounder tractions. The above list remains unchanged, because the bonds listed are all cheap for their grade. Telephone bonds have remained static for several months and are now very attractive, compared to the market.

Prize Winner Considers Fox Film Too High

PRIZE CONTEST EDITOR:

Evidently the stock represented by the drawing is that of the Fox Film Corporation.

The capitalization consists of one million shares of authorized common stock, 500,000 of which are at present outstanding at a par value of $10.00. Of this 400,000 shares are designated as class A stock and the remaining 100,000 as class B stock.

The class A and B common stock are alike and share equally in every particular excepting the class B stock is given the sole voting power and is all held by the management.

The financial condition of the company is fair. While the ratio of current assets to current liabilities is better than 12 to 1 (bal. sheet of Mar. 27-26) one finds that of the total current assets amounting to about 14.9 millions, 9.4 millions or 75% consists of inventories. While cash on hand is enough to cover current liabilities the balance remaining over and above these requirements is not impressive. Should business conditions affect the motion picture industry adversly a partial liquidation of the large inventory would probably be necessary at a considerable sacrifice. The former custom of the company in financing their expanding business from surplus cash existing from earnings after $500,000 had been paid out in dividends may now have to be curtailed somewhat, due to the heavier drain on earnings in maintaining the present $4.00 dividend, which requires $2,000,000 annually.

The outlook for the motion picture industry is particularly speculative. The risk incurred by the necessity of sinking a large amount of capital into a production, the success of which is entirely a matter of conjecture, is a peculiarity of this industry. Then too, the loss of a popular star may seriously impair the earnings of a concern. These are "constant" risks. Add to them the present slowing-up discernible in general business, which will, no doubt, be duly reflected by lower earnings in the balance sheets of the motion picture companies.

Talking films? entirely speculative. Even if successful mechanically, the increase in income due to such an innovation would likely be negligible.

At current levels of 71-73 the stock yields an income of approximately 5½%, a low enough yield considering its speculative features. For the four years, ending with the year 1925, the average annual earnings amounted to $4.56 a share, barely enough to cover the present dividend of $4.00. And even though earnings for the current year may amount to about $7.00 as estimated, this would represent only 9.5% on the market price. And 1926 will be considered a PROSPEROUS year. If I held any of this stock I would sell it at once.

Very truly yours,
EDWARD R. FRIBERG.

San Francisco Stock and Bond Exchange

THIS table is published regularly for the convenience of those of our subscribers and readers who are, or may be, interested in leading Pacific Coast securities.

Bank and Public Utility Stocks

		1926		Last Sale
	Div. Rate	High	Low	Nov. 24
Anglo & London Paris Nat. Bank	$10.00	202	191¾	197
Bancitaly Corporation	2.24	85	72	85
Bank of Italy	16.00	483	436	477
East Bay Water A Pfd	6.00	98½	93½	96½
Federal Telegraph	....	13⅝	8¾	11¾
Great Western Power Pfd	7.00	110	101	103½
Key System Prior Pfd	7.00	89⅞	65	69
Los Angeles Gas Pfd	6.00	100⅜	95½	98¼
Pacific Gas & Elec. 1st Pfd	6.00	102¼	97	99⅞
Pacific Gas & Elec. Common	8.00	134	118	129½
Pacific Telephone & Tel. Pfd	6.00	104½	99⅞	104½

Industrials and Miscellaneous

Alaska Packers' Assn	8.00	180	160	170
California Packing	4.00	74½	66½	68¾
California Petroleum	2.00	38¼	30	31¼
Caterpillar Tractor	6.00	150	111½	132
Emporium Corporation	2.00	38	36	36½
Fireman's Fund Insurance	5.00	97½	90	91
Foster & Kleiser (cm.)	1.00	13	11	12½
Hale Brothers	2.00	36¾	35½	36¾
Hawaiian Coml. Sugar	3.00	50	44	50
Hawiian Pineapple	1.80	60½	48	57½
Home Fire & Marine	1.60	38¾	30½	30½
Honolulu Cons. Oil	2.00	40¼	35	40
Hunt Brothers Packing "A"	2.00	26¾	24	26
Illinois Pacific Glass "A"	2.00	33	20½	30½
North American Oil	3.60	42	32⅛	38⅜
Paraffine Common	6.00	113	84¼	110
Schlesinger A Common	1.50	27¾	22½	24¾
Shell Union Oil	1.40	30⅞	23⅞	30⅞
Southern Pacific	6.00	110¼	96¼	108
Sperry Flour Common	....	61½	40	42
Spring Valley Water	6.00	108	100	103
Standard Oil of Calif	2.00	63¾	52⅝	58¼
Union Oil Associates	1.99	67	36⅜	52¼
Union Oil of California	2.00	66¼	37½	52½
Union Sugar Common	2.00	29½	19½	20
Yellow & Checker Cab "A"	.80	10⅝	9	9
Zellerbach Corporation	1.50	29⅜	24½	27⅞

HOW TO VALUE RAILROAD STOCKS

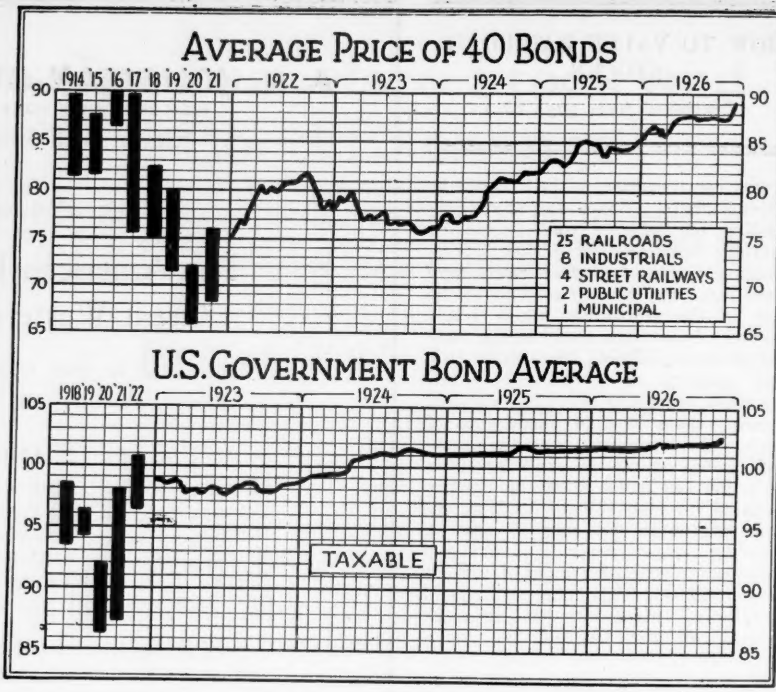
(*Continued from page 231*)

portant consideration to the investor in railroad stocks. Bonds and stock outstanding per mile of road should be carefully compared with the corresponding figures for other roads, and in the same way comparisons should be made of the percentage which bonds and stock bear respectively to the total capitalization. Hard times and the legal inability of a railroad to sell new stock under par value has resulted in many cases in a preponderance of funded debt, a condition wherein a relatively small change in gross revenues has a marked effect upon the balance available for stockholders, as bond interest except in the case of new or maturing issues remains unchanged from year to year regardless of current income. Thus the 7% common dividend on Illinois Central with 32% of stock to total capitalization may be considered more secure under present conditions than the 7% common dividend on St. Louis-San Francisco with a stock capitalization only 15% of total, even though actual share earnings on the common in 1925 were $12.86 and $14.89 in favor of Frisco.

The dates of bond maturities and the average coupon rates should be carefully examined. Atchison is blessed with both low coupon rates and distant maturities. Baltimore & Ohio had to refund an exceptionally large amount of obligations all maturing in one year, 1925, but the road's financial condition was such that little difficulty was encountered. On the other hand, the immediate cause of the receivership of Chicago, Milwaukee & St. Paul was the maturity of a single bond issue in June of last year.

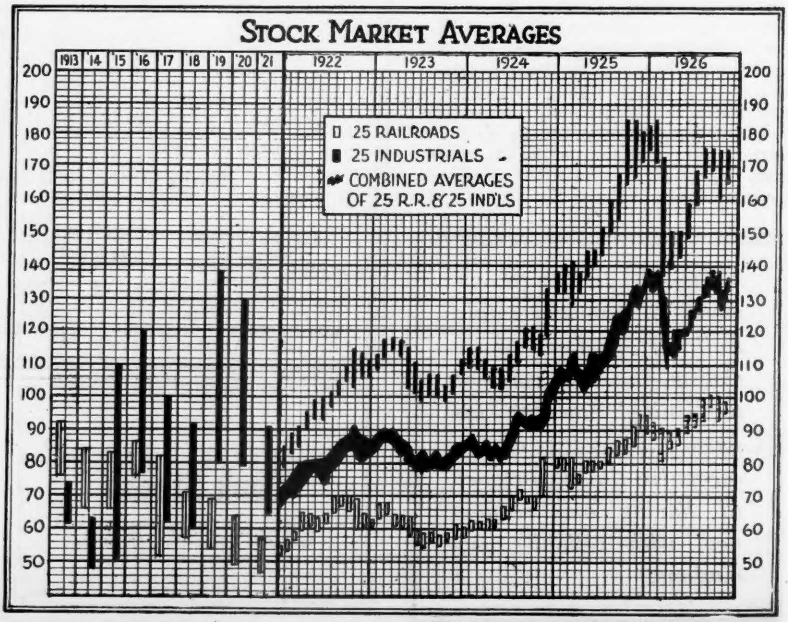
It is impossible of course to do justice to such a complex subject within the limits of an article of this size, but investors will appreciate the importance of a careful study of the physical characteristics, traffic problems, capitalization and income accounts in all their various ramifications before an intelligent appraisal of a railroad stock can be completed.

We will be glad to recommend to you a reliable Building & Loan Association in any part of the United States. This service is gratis as we recognize the importance of having our readers deal with reliable associations.



MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	20 Rails	N. Y. Times —50 Stocks— High	Low	Sales
Thursday, Nov. 11..	88.77	154.66	118.69	134.65	132.98	1,216,539
Friday, Nov. 12...	88.76	155.00	118.86	135.85	134.06	1,855,216
Saturday, Nov. 13..	88.78	154.58	118.80	135.26	134.30	673,845
Monday, Nov. 15...	88.88	155.00	118.80	135.42	134.29	1,293,134
Tuesday, Nov. 16..	88.92	156.53	118.81	135.80	134.20	1,482,251
Wednesday, Nov. 17	88.99	155.15	118.81	135.89	134.05	1,431,107
Thursday, Nov 18..	88.96	154.51	118.53	135.00	133.54	1,464,194
Friday, Nov. 19....	89.04	152.86	117.45	134.70	132.72	1,544,549
Saturday, Nov. 20.	89.00	153.95	117.66	134.33	133.23	606,396
Monday, Nov. 22...	89.01	153.01	117.70	135.42	133.97	1,302,610
Tuesday, Nov. 23..	89.07	155.83	118.07	136.59	134.81	1,473,145
Wednesday, Nov. 24	89.02	155.73	118.53	137.36	135.30	1,638,022



Cumulative Index to Volume 39

Pages 1-100 Inclusive, November 6, 1926
Pages 101-196 Inclusive, November 20, 1926

Keep Posted

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses of the highest standard. They will be sent free on request, direct from the issuing house. Ask for them by number.

We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

"RULES FOR SAFE INVESTMENT"
Knowledge gained over a long period of years makes it possible to determine whether a given spot in a city will have a growth in property value which will be steadily increasing. This is only one of the important factors of safety of Real Estate Bonds which are explained in this booklet. Ask for 327.

INTERESTING FACTS
about the development of one of the largest public utility systems in the United States will be found in this interesting free booklet. Ask for 380.

USE OF OPTIONS
The exceptional profit possibilities in Stock Options and their uses to supplement margin and for protection against losses in the Stock Market fully explained in a free circular. (284)

44 YEARS WITHOUT LOSS TO ANY INVESTOR
The well-known firm of investment bankers who bring out this booklet have endeavored in the 1925 edition to present a comprehensive story of the business methods which for 44 years have insured the safety of all their underwritings to the end that no investor has ever suffered a loss or been compelled to wait even a single day for the payment of principal and interest upon his securities. (217)

THE STORY OF A GOOD MORTGAGE BOND
This booklet explains in full the methods used by a conservative Florida first mortgage real estate bond firm in guaranteeing 8% on their bonds. Ask for 368.

PUBLIC UTILITY SECURITIES AS INVESTMENTS
Send for your free copy of this booklet explaining the increasing popularity of this type of investment. Ask for 321.

BONDS AND HOW TO BUY THEM
The principles of bond investment are outlined in non-technical language in this booklet issued by a member of the New York Stock Exchange. Ask for your free copy, No. 365.

FOR INCOME BUILDERS
This booklet describes a practical Partial Payment Plant, whereby sound securities may be purchased through monthly payments of as little as $10. Shows how a permanent, independent income may be built through the systematic investing of small sums set aside from current earnings. Ask for 318.

WHY A "NATIONAL UNION" FOR SAFETY
If you are seeking first mortgage bonds that are guaranteed—that are insured—that are protected—send for your free copy of this interesting booklet. Ask for 356.

SCOPE AND SERVICE
This new booklet gives a descriptive and historical sketch of one of the largest public utility companies in the country now responsible for public service in more than 1,000 communities. Ask for 362.

PROFIT SHARING PLAN UNDER THE MAHLSTEDT-STEEN METHOD OF FINANCING
A plan of interest for investors combining Safety of Principal, Assured regular income, Return of principal, a continuing share in the profits. Ask for circular (361).

INVESTMENT FEATURES OF CO-OPERATIVE APARTMENT OWNERSHIP AT JACKSON HEIGHTS
A valuable booklet prepared by the Queensboro Corp., which shows the moderate cost and advantages to be derived from owning your own home in a beautiful section a short distance from New York City. Ask for (336).

6% AND SAFETY LIST
For over fifty years we have been assisting investors in the selection of sound securities and our information department has recently compiled this list which we will send you free. Ask for (313).

KARDEX INSTITUTE BULLETIN
Kardex Institute, an organization for research in methods of business management and control, has published in this bulletin the methods of an outstanding leader in business. Send for your free copy to 349.

FIFTY-THREE YEARS OF PROVEN SAFETY
An interesting and handsomely illustrated booklet describing the investment principles which have made possible the record of "No Loss to Any Investor in Fifty-Three Years" for owners of Smith bonds. Ask for 326.

THE PARTIAL PAYMENT
method of purchasing good securities in odd lots and full lots on convenient terms is explained in a free booklet issued by an old established New York Stock Exchange House. (224)

8% AND SAFETY
To hasten the rapid growth of Florida, the rate for first mortgage bonds in that state is 8%. This interesting booklet tells why they are safe. (322)

BOND RECORD
A convenient record book for listing bond holdings, interest payments, profits, etc. Title heading of book, "My Investments." A limited number is being distributed gratis by a leading Bond House. (285)

MAKING PROFITS IN SECURITIES
A valuable 40-page booklet, pointing out sound methods to use, also pitfalls to avoid, is buying and selling stocks for profit. Ask for your free copy, No. 377.

HOW TO GAIN INDEPENDENT MEANS AND A LIFE INCOME
Presents the details of eleven plans whereby the investor can acquire financial worth of from $8,815 to $65,719 by the systematic investment of from $10 to $100 monthly. Figures verified by Haskins & Sells, Certified Public Accountants. For a free copy of this booklet, ask for 344.

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LITHOGRAPHED ENVELOPES TO MATCH $1.50 PER THOUSAND IN 25,000 LOTS

Dividends

E. I. DU PONT DE NEMOURS & COMPANY

Wilmington, Del., November 15, 1926.

The Board of Directors has this day declared a regular dividend of $1.75 per share on the outstanding no par value common stock of this Company, payable December 15, 1926, to stockholders of record at the close of business on December 1, 1926, and an extra dividend of $5.00 per share on the outstanding no par value common stock of this Company on January 5, 1927, to stockholders of record at the close of business on December 1, 1926; also dividend of 1½% on the outstanding Debenture Stock of this Company, payable January 25, 1927, to stockholders of record at the close of business on January 10, 1927.

CHARLES COPELAND, Secretary.

The Mengel Company

The Board of Directors of The Mengel Company, November 5, 1926, declared the regular quarterly dividend of one and three-fourths (1¾%) per cent on the Preferred Stock of the Company, payable December 1st, 1926 to Stockholders of record at the close of business November 15th, 1926.

J. C. DORMAN, Secretary.

Any Preferred Stock to be transferred should be sent to this office, Eleventh & Dumesnil Streets, Louisville, Ky.

J. C. DORMAN, Secretary.

Louisville, Ky., November 5th, 1926.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY
BELL SYSTEM
149th Dividend

The regular quarterly dividend of Two Dollars and Twenty-Five Cents ($2.25) per share will be paid on January 15, 1927, to stockholders of record at the close of business on December 20, 1926.

H. BLAIR-SMITH, Treasurer.

ENGINEERS PUBLIC SERVICE COMPANY
Preferred Dividend No. 6

A $1.75 quarterly dividend is payable January 3, 1927 to holders of record December 6, 1926 (a) of $7 Dividend Preferred Stock, and (b) of Preferred Stock Allotment Certificates to the extent provided therein.

STONE & WEBSTER, INC., Transfer Agent

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Charters

DELAWARE Incorporator; charters; fees small; forms. Chas. C. Guyer, 901 Orange St., Wilmington, Del.

Dividends

ARS GRATIA ARTIS
METRO-GOLDWYN PICTURES

November 19, 1926.

The Board of Directors of the Metro-Goldwyn Pictures Corporation has declared a quarterly dividend of 1¾% on the preferred stock of the company, payable December 15th, 1926, to stockholders of record at the close of business November 27th, 1926.

Checks will be mailed.

DAVID BERNSTEIN, Treasurer.

THE MONTANA POWER COMPANY

PREFERRED STOCK DIVIDEND NO. 57

A regular quarterly dividend of one and three quarters per cent (1¾%) on the Preferred Stock has been declared, payable January 3, 1927, to stockholders of record at the close of business on December 10, 1926.

COMMON STOCK DIVIDEND NO. 57

A dividend of one and one quarter per cent (1¼%) on the Common Stock has been declared, payable January 3, 1927, to stockholders of record, at the close of business on December 10, 1926.

Checks will be mailed.

J. F. DENISON, Treasurer.

25 Broadway, New York.

LOEW'S INCORPORATED

"Theatres Everywhere"

November 19, 1926.

At a meeting of the Board of Directors held October 26th, 1926, a resolution was adopted declaring the regular dividend of $.50 and an extra dividend of $1.00 per share on the stock of this company, payable December 31st, 1926, to stockholders of record December 13th, 1926. Checks will be mailed.

DAVID BERNSTEIN, Treasurer.

Dividends

Associated Gas and Electric Company

ASSOCIATED AGE GAS & ELECTRIC SYSTEM

61 Broadway, New York

Dividends

The Board of Directors has declared the following quarterly dividends:

Original Series Preferred Stock—87½c per share plus the extra dividend of 12½c heretofore declared, or $1.00 in all payable on December 31, 1926, to stockholders of record November 30, 1926.

$7 Dividend Series Preferred Stock—$1.75 per share, payable December 31, 1926, to stockholders of record November 30, 1926.

Provision was also made for stock dividends, in lieu of the cash dividends, at the rate of 3.15/100ths of a share of Class A Stock for each share of Original Series, and 5.5/100ths of a share of Class A Stock for each share of $7 Dividend Series Preferred Stock held.

On the basis of $35 per share for the Class A Stock this is at the annual rate of $4.41 per share for the Original Series and $7.70 per share for the $7 Dividend Series Preferred Stock.

Stockholders may also purchase or sell sufficient scrip to make full shares at the rate of $1.00 above or below, respectively, the sale price of Class A Stock.

M. C. O'KEEFFE, Secretary.

THE BELL TELEPHONE COMPANY OF CANADA

NOTICE OF DIVIDEND

A dividend of two per cent (2%) has been declared payable on the 15th January, 1927, to shareholders of record at the close of business on the 23rd December, 1926.

W. H. BLACK,
Secretary-Treasurer

Montreal, 24th November, 1926.

UNION CARBIDE AND CARBON CORPORATION

A cash dividend of One Dollar and fifty cents ($1.50) per share on the outstanding capital stock of this Corporation has been declared, payable January 1, 1927, to stockholders of record at the close of business December 3, 1926. Books do not close.

WILLIAM M. BEARD, Treasurer.

JULIUS KAYSER & CO.

A regular quarterly dividend at the rate of two dollars a share upon the shares of the no-par-value Preferred Stock of Julius Kayser & Co., issued and outstanding, has been declared, payable January 3, 1927, to the holders of record of such stock at the close of business December 17, 1926.

Dividend checks will be forwarded by Guaranty Trust Company of New York.

CHARLES J. HARDY, Secretary.

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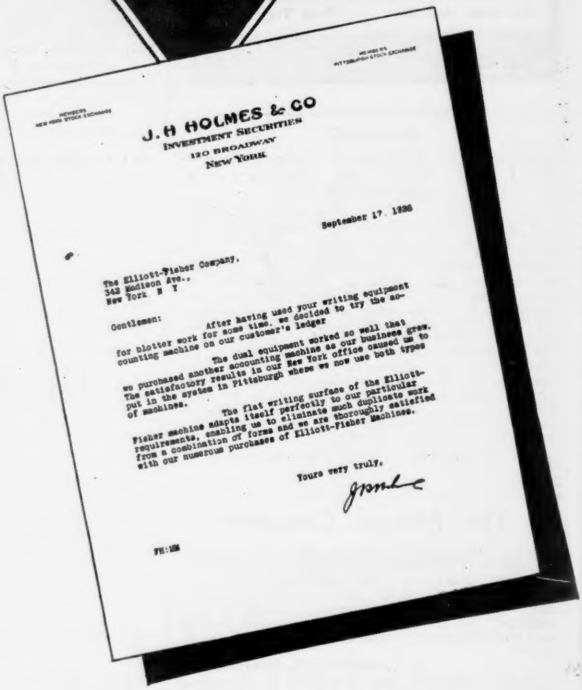
The letter on this page tells what J. H. Holmes & Co. think of Elliott-Fisher. In "Behind the Broker's Books" other prominent brokers tell their experiences with this remarkable equipment. We will gladly mail you a copy of this booklet if you will send us the coupon below.



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MEMBERS PITTSBURGH STOCK EXCHANGE

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September 17, 1930

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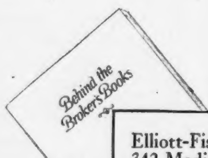

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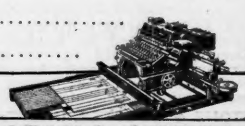

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